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U.S. News & World Report

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HOW OVER-EATING SHORTENS LIFE

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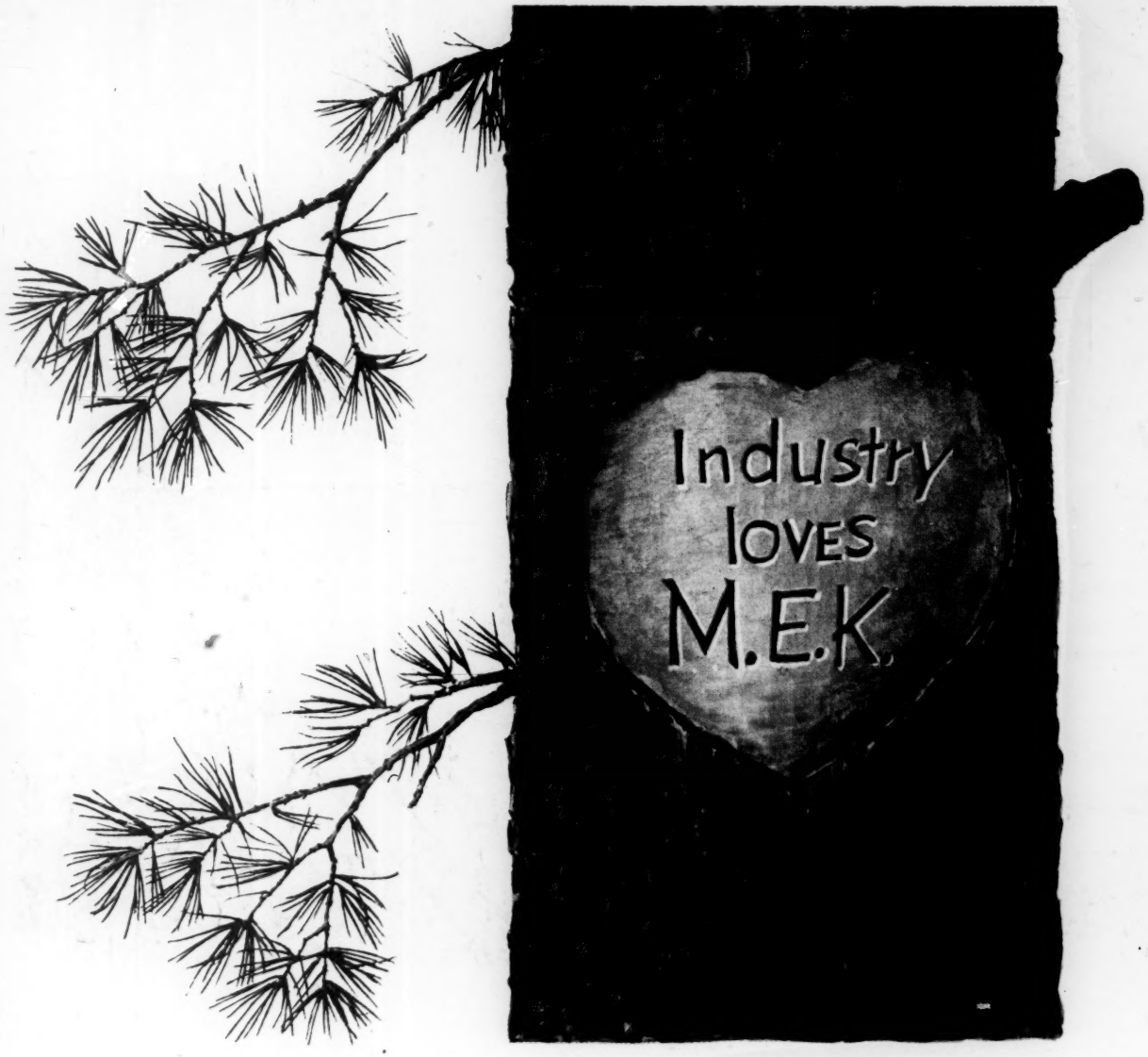
Harvard School of Public Health

DR. H. M
University



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IN THIS ISSUE

★ New Tax Cuts— Or a Balanced Budget?

This is a look behind the federal budget soon to be announced by the Eisenhower Administration. It reveals what the figures alone will not show. It explains, too, how the budget is likely to affect you, as a taxpayer, and your business. For an understanding of what the budget figures really mean, turn to page 20.

★ In Bolivia—Complete Overhauling

What is going on in this South American country? Are Communists really behind the big changes being made there? For an on-the-spot report, see page 42.

★ How Beautiful Spies Steal U.S. Secrets

Here, from Berlin, is the inside story of a modern "Mata Hari." It shows why American authorities are worrying: Are U. S. military secrets safe in Germany? Turn to page 35.

★ Contents

March of News	4
Washington Whispers	6
Tomorrow: A Look Ahead	9
People of the Week	12
Retail Trade to Set Record in '55	17
When Taxes Will Come Down	20
What U. S. Does Next in Europe	22
With Democrats Running Congress—	25
Latest on Social Security	27
Day of the Supercarrier Is Here	28
"Coexistence" Hits Washington	30
Secrets for Sale in Berlin	35
How Farmers Really Voted in '54	37
Traffic Jam in the Sky	40
Overhauling Bolivia	42
Worldgram	47
Interview With Dr. Fredrick J. Stare: Over-Eating Shortens Life	50
Interview With Dr. Hugh M. Sinclair A British View on Over-Eating	58
The Man—The News: Senator McClellan—Replacing McCarthy	61
News You Can Use	65
Goods From Abroad Start New Fight	69
Are the Russians in Austria to Stay? Interview With Austrian Chancellor	72
We've Been Asked: About Taxpaying Changes	77
Trend of Business	79
Big Power for U. S.—In the Sun Interview With Solar-Energy Expert	82
Labor Week: A Million More Jobs This Year	86
Memo From Italy	91
Finance Week: Easier Now to Buy on Time	93
Plus and Minus: Indicators of Business Activity	96
Business Around the World	97
News-Lines for Businessmen	99
David Lawrence Editorial	100

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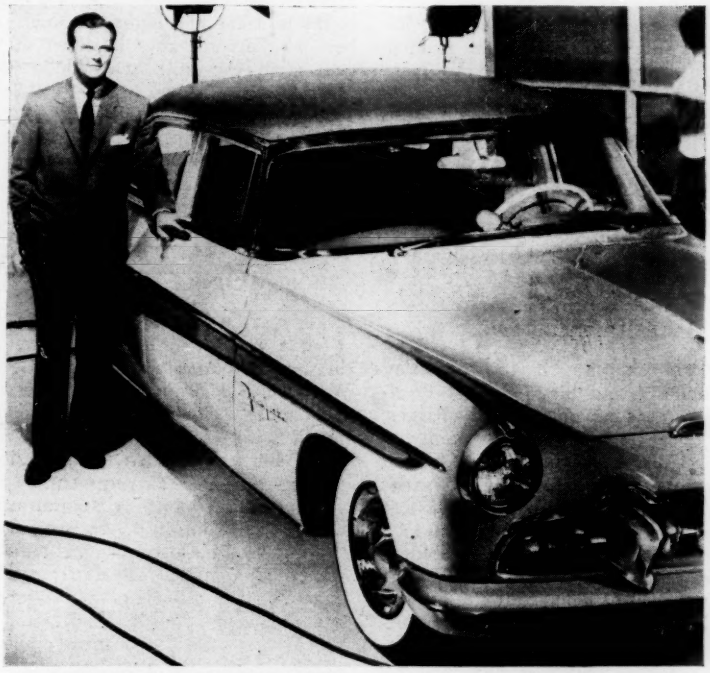

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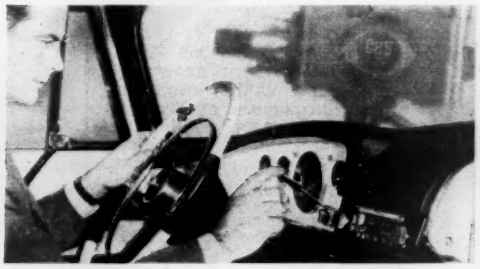

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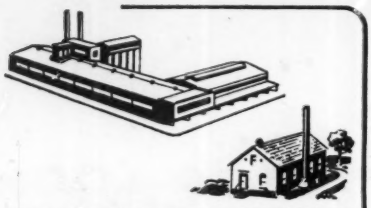

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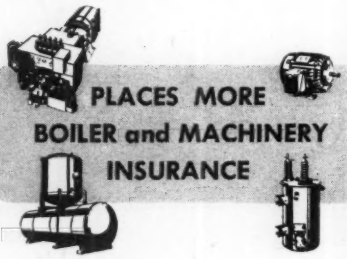

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The March of the News

NEW YEAR'S JOURNEY

FROM NEW YORK'S *Idlewild* Airport, a big Air Force Constellation headed east, across the sea. For the passengers on board, the journey would end some 12,000 miles and seven days later in Peiping, China, the center of Asian Communism. Dag Hammarskjold, United Nations Secretary General, with a party of six advisers, was on his way to talk with China's Communists about releasing imprisoned U.S. airmen.

One American—William Ranallo, of New York, a personal aide—was making the long journey with Mr. Hammarskjold. No Western newsmen were reporting the mission first hand.

Mr. Hammarskjold's arrival in Peiping was scheduled after stops in London to confer with British Foreign Secretary Sir Anthony Eden and in New Delhi to talk with India's Prime Minister, Jawaharlal Nehru. After that he would meet the Communists face to face.

FAMILIAR STORY

VLADIMIR DEDIJER, a top Yugoslav Communist and biographer of President Tito, was up on criminal charges. Mr. Dedijer, stripped of his immunity as a member of Parliament, also lost his job as a member of the Communist Party's Central Committee. His predicament stemmed from the fact that he was a close associate of former Vice President Milovan Djilas, noted as a friend of the West, who was expelled from the Central Committee for advocating more democracy in Yugoslavia.

Mr. Dedijer apparently suffered from the same ideals. Among the charges he faced was that he held to an idea no right-thinking Communist should ever entertain: He favored a two-party system for Yugoslavia.

FEDERAL PAY BOOST?

THE NEW YEAR might bring good news for the Government's millions of employes. From Civil Service Chairman Philip Young came word that the Administration wants Congress to boost federal salaries an average of 5 per cent a year. Lowest grades would get a yearly increase of $125, with boosts of up to $800 for higher positions. Up, too, would go the federal budget, by about 202 million dollars a year.

Senator Mike Mansfield (Dem.), of Montana, meanwhile, called for raises of 25 per cent for all military enlisted men. But from the Pentagon came the word that major pay increases will be asked only for those who stay in the service and win promotions, with particular attention to skilled technicians.

VITAL STATISTICS

THE OLD YEAR, said the U.S. Public Health Service, set all kinds of records. Examples: 1954 ended with the lowest death rate in the country's history, 9.2 per 1,000 of population, down from 9.6 in 1953. There were more than 4 million births in 1954, the highest annual number. The divorce rate is down 40 per cent from the peak reached in 1946. Marriages are down, too, to 9.2 per 1,000 as against 9.7 in 1953.

Low birth rates of the depression years, said the Health Service, account for the drop in marriages. The record-breaking birth total was achieved by fewer couples having more children.

MONEY SAVERS

THE JUSTICE DEPARTMENT set a welcome record during 1954. Its civil division, said Assistant Attorney General Warren E. Burger, recovered a record 30 million dollars for the Government during the year.

Mr. Burger's division handles all civil cases involving the Government. In 1954 they included everything from an unsuccessful $74 claim by a farm worker to a case where the Government obtained an additional 4 million dollars from a ship firm for the S.S. *United States*. But in each case handled by his division, said Mr. Burger, the Government failed to recover all it felt was coming to it.

Awards against the U. S. totaled 23 million, out of 259 million sought.

TELEVISION RULING

THERE PROBABLY will be no televising of committee hearings in the House during the 84th Congress. That was the word from Speaker Sam Rayburn (Dem.), of Texas. In barring the TV cameras from House committee rooms, the Speaker reverted to a policy adhered to in previous Democratic Congresses when he also was top man in the House. In the last Congress, Republican Speaker Joseph Martin left admission of the cameras up to each committee. The Rayburn ruling, of course, made no mention of possible TV coverage in the Senate.

Mr. Rayburn's action brought a strong dissent from TV representatives. But the word from "Mr. Sam" was still "no."

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Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

Ike Cooling on Malenkov Meeting . . . Arms in Pacific Headed for Pre-Korea Level . . . Nixon May Go to Asia

President Eisenhower, in private, continues to hold the doubt which he inadvertently indicated during the 1952 campaign concerning the amount of dependence that can be placed by the United States on the French. The President is far from sure that the billions of dollars that American taxpayers are pouring into France will assure a firm ally in time of trouble.

★ ★ ★

American military commanders, when pondering the future, often express wonder about what would happen to supply lines that run through France if war should come with Russia and the numerous and highly organized French Communists got in their work to sabotage any resistance by the French Government.

★ ★ ★

Sir Winston Churchill, British Prime Minister, has become somewhat alarmed by evidences of an urge on the part of some French politicians to get together with the Russians. A deal of that kind could leave Great Britain rather isolated.

★ ★ ★

Adm. Arthur Radford, Chairman of the U. S. Joint Chiefs of Staff, is being warned that American forces in the Far East are cut back toward the low levels that preceded the Communist attack in Korea. Infantry units in Japan are reported to be one third under strength. The shortage of manpower makes training of troops difficult on regimental or divisional level. Weapons are reported to be deteriorating.

★ ★ ★

President Eisenhower, like President Truman before him, is agreeing to strip the Pacific danger areas of much American military strength while maintaining or enlarging that strength in the European area. Decline of American power in the Pacific is occurring at a time when big chunks of Asia are tending to slip over to the Communist side.

★ ★ ★

Richard Nixon, Vice President, may be asked by President Eisenhower to undertake a secret mission to Southeast Asia where Communists at the moment are making big gains among the people. The Vice President, who previously visited the Far East for Mr. Eisenhower, is understood to be much concerned by trends in that part of the world.

★ ★ ★

Charles E. Wilson, Secretary of Defense, is under strong pressure to cut back on military manpower so that the Government's budget can be brought into balance before the 1956 election and so that the draft can be eliminated as a political problem before that time.

★ ★ ★

Rowland Hughes, Budget Director, is preparing a budget for Congress that will underestimate prospective revenue and overestimate prospective spending. The purpose is to head off tax cuts scheduled to become effective in 1955 and to prepare the way for a budget-balancing surprise in election year 1956.

★ ★ ★

Policy planners who were casual about practical politics before the 1954 election now are preoccupied with political considerations in almost all phases of policy making. Loss of the 1954 election jolted the White House group.

★ ★ ★

President Eisenhower is cooling to the idea of a meeting with Russia's Premier Georgi Malenkov unless it is clearly established before the meeting that the Russians are ready to come to terms on agreements that carry real importance.

★ ★ ★

Malenkov and Nikita S. Krushchev, First Secretary of the Communist Party's Central Committee, are showing up more and more as rivals for the job of dictator of Russia left vacant by the death of Joseph Stalin. Informed officials are wondering more and more about how long Malenkov might last in this world to enforce any agreements that might be entered into with him.

★ ★ ★

A Russian textbook on international law, published in 1951 by the Institute of Law, Moscow, says this: "A serviceman in uniform who penetrates into the lines and the rear of the enemy cannot be considered as a spy." American fliers, shot down when performing military missions, by Communist logic appear not to come within the rules which Communists accept on paper.

★ ★ ★

American diplomats hear that the Russians will propose that Berlin—both East and West sectors—be turned into an international city, if rearmament of Germany ever is finally arranged. The idea would be to remove Allied troops and intelligence outfits from their crucial position back of the Iron Curtain.

★ ★ ★

Mao Tse-tung, Communist leader of China, is getting set to present Japan with a reparation bill running high into the billions of dollars as payment for raw materials taken from Manchuria and China in the years following 1931. Mao then will promise to cancel all or most of the bill in return for concessions on trade, recognition and nonaggression pacts with Japan.

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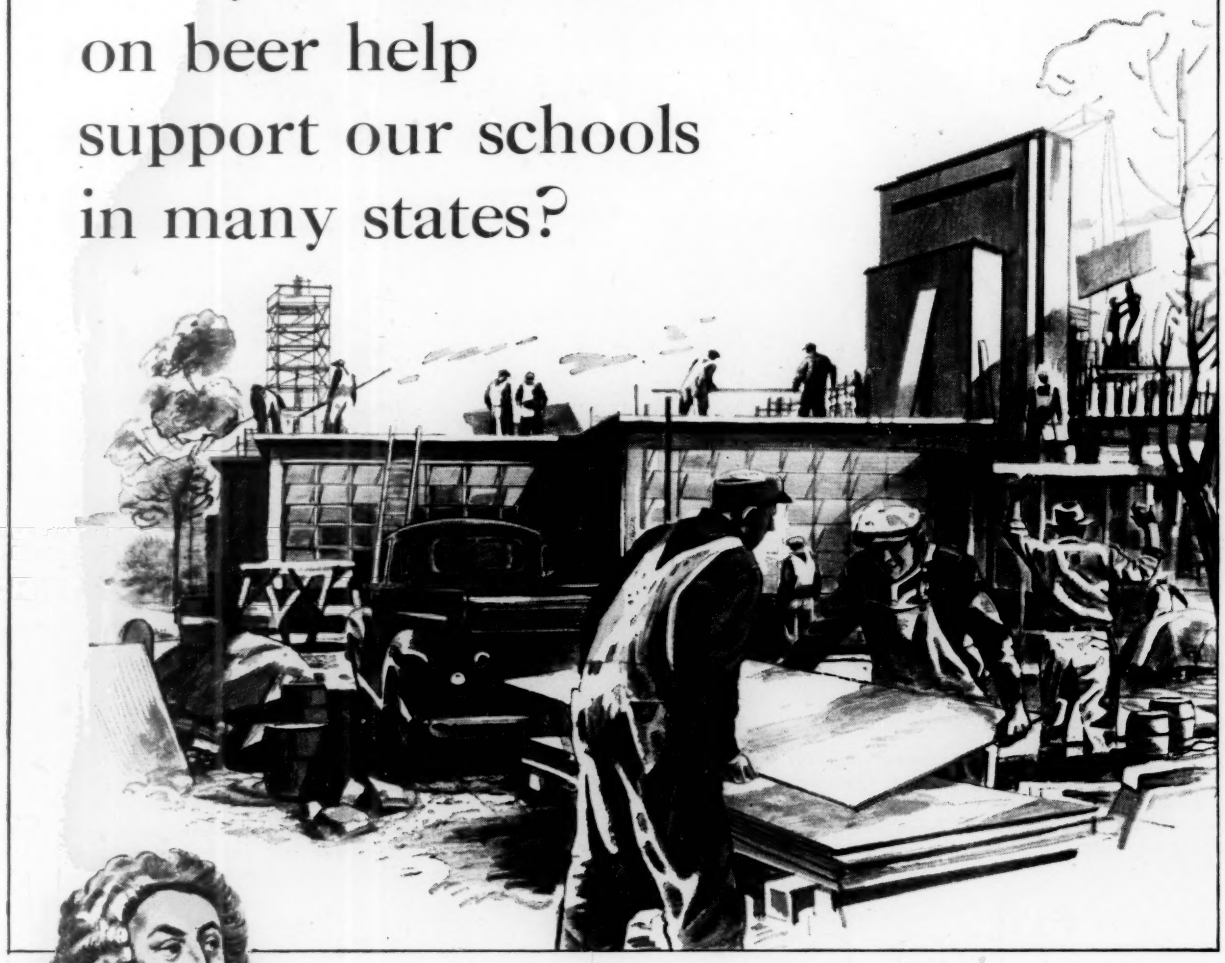

James Ogelthorpe of Georgia was one of the earliest advocates of brewing in the South. His viewpoint that beer is a temperate beverage was shared by Patrick Henry, Thomas Jefferson, Samuel Adams —and other famous early Americans.

Beer—the beverage of moderation—has contributed to the economic life of state and local governments ever since the nation's earliest days.

Last year, for instance, the brewing industry paid over 200 million dollars in state taxes. In many cases this revenue is used to maintain public schools and pay salaries and pensions for teachers.

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A LOOK AHEAD

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What the policy planners see ahead, over a longer range, is this:

1955: A good business year, with the broad trend upward.

1956: A good first half year, very probably a good second half.

1957: Maybe the time to watch out, to expect readjustments.

Cycle turn in business, definitely started upward, normally will run a rather extended course. It will only be natural for the party in power to chart policies designed to keep activity high through election year 1956.

Money policy is the thing to watch closely for clues to the future.

Money supply, at this time, is being kept fairly abundant, fairly low in price. Demand for money is encouraged by easy mortgage terms, easy terms for installment purchases. Installment terms often are being eased now.

Policies affecting money are going to be changed only with the greatest caution. Tighter money, in early 1953, had quick and severe effects.

Money scarcity, higher interest rates, more stringent terms for buying on installment or for financing mortgages are not in sight.

It's in the field of easy money, however, that future danger may lie.

Mortgage terms--little down, 30 years to pay--may encourage people to get very deeply involved in debt. Installment terms, with up to three years to pay for a new car, two years to pay for many other things, can encourage people to tie up a good deal of future income to get current enjoyment.

Once the public gets loaded with debt, with charges that must be paid monthly, any loss of income can have severe effects on new buying.

That's a problem for the longer future, not right now.

What you can count on in the business rise now started is this:

Inflation of prices will largely be avoided. Food may cost a little less. New house, new cars, most other things will cost no more.

Jobs will increase but not enough to assure everybody the kind of job he may want. Pay trends will be slowly upward.

Profits, for most companies, will be better.

Speculation, quite probably, will grow in the stock market. Money, kept abundant to assure good times, will tend to flow in one way or another into speculation in stocks. Stock speculation may become a problem.

Rise in stock prices, spectacular for some, suggests caution.

Price rises, for some stocks, put their yields below yields from high-grade bonds, more than discount any probable rise in dividends.

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Rise in price of other stocks has been moderate.

It's far from sure that everything will go up from here on out. It's becoming more probable that investment will be more selective, cautious.

Bear this in mind: Institutions, estates, investment trusts often have very large paper profits. Capital-gains tax discourages them from selling so long as they expect a rising trend in prices. If ever a turn should come, however, if ever big investors decide that the time has come to take profits, the resulting rush to cash in could become spectacular.

There is no present sign that anything like that is near.

Congress, back on the job, will do nothing to disturb business.

Arms money will be at least as abundant as the White House wants.

Tariff-cutting power, if broadened any, will be carefully hedged about. Tariffs are not to be lowered in a way to encourage a flood of foreign goods.

Highway funds will be increased. Farm price supports will be left on a flexible basis. A veto can block any extension of rigid supports.

Minimum wage is likely to be raised to $1 from 75 cents. Pay of workers in Government will be raised. Military pay will be, too. Pay for judges and members of Congress may be increased, but that is less sure.

Postal rates probably will stay about where they are. Four cents for first-class mail seems unlikely. Air-mail is likely to stay where it is.

Direct aid for school building is improbable. Indirect aid through a plan to guarantee borrowing by new school-building authorities may get by.

Aid abroad will be voted, but with new restrictions. Loans are likely to be emphasized a little more, gifts to be stressed somewhat less.

Draft almost surely will be extended. Drafting of youths, however, will continue its slowdown. Volunteering will be encouraged by a raise in pay for the professionals in military service. Six-month service, a sort of miniature universal-service plan is due to run into trouble.

Reserve training on a compulsory basis will meet resistance, too.

What Congress will search for is some means of providing a military force of 2.75 million men with volunteers. Experience suggests that finding a successful plan of that kind is difficult, at best.

Hurdles still remain before rearming of Germany starts.

French Assembly approved. French Senate almost surely will approve. German Bundestag is expected to go along on rearmament itself.

Agreement over future of the Saar, however, is going to be difficult to get and it is one of the conditions prior to rearmament. Lots of moves need to be taken before Germans even start to train men.

You can be quite sure of this, however: Germany, in one way or other, will rearm. Germans have rebuilt big new industry, big new communities in the West and will not leave all that property unprotected.

What remains uncertain is how Russia will play her cards, how she will maneuver to try to keep Germany from a firm alignment with Western powers.

An armed Germany, aligned with the West, could tilt the balance strongly against Russia. Once Germany arms, the diplomatic game will change greatly.

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Wide tapes, narrow tapes—any of more than 300 different pressure-sensitive tapes can be applied faster, easier by dispensers designed specially for the job. 75 different manual, automatic, and semi-automatic dispensers for "Scotch" Brand Tapes are now available—or our engineers will design one to fill your specific needs. For facts, write on your letterhead c/o Dept. NWR-15.

DISPENSERS for more than 300 PRESSURE-SENSITIVE TAPES for industry, trademarked...

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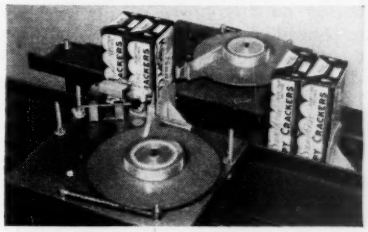
3M COMPANY

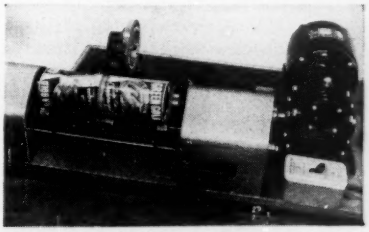
LOOK how dispensers can work for you!

QUICK SEALING of small cartons is accomplished with this "Scotch" Brand Type M Box Sealer. Uses ¼" to ⅝" tape widths. Object to be sealed is merely passed over roller automatically applying 1½" strip of tape.



THE EASY WAY to handle multiple package units: *tape* them with this "Scotch" Brand S-69 Sealer. Uses ¼" to 1" tape widths. Applies predetermined lengths of tape to make 30 to 60 "deals" a minute.

CUT WASTAGE on hand operations with this "Scotch" Brand Definite Length Dispenser, Model M-92. Uses 1" or narrower tape widths. Predetermined length up to 4" is delivered in one lever stroke; repeat strokes deliver longer lengths. No guesswork; no waste!



DIFFICULT SHAPES are handled easily with the proper dispenser. This "Scotch" Brand Can Bundler can be used to seal covers on round containers, or to combine two or more cans end-to-end to form a combination "deal". Average speed: 20 units a minute.

PEOPLE

OF THE WEEK

NEW TAX WRITER in Congress is a taciturn man who, during 13 previous terms as a Representative from Tennessee, has seldom gotten his name in headlines. But, to millions of American taxpayers, the name of **Jere Cooper** will become more and more familiar in the next few months.

Representative Cooper, a Democrat, is to head the House Ways and Means Committee in the new Congress. The Committee deals with taxes and tariffs, and probably will be the first to go into action on any phase of the Eisenhower Administration's legislative program. Coming up quickly is a proposal to extend the Reciprocal Trade Agreements Act for three years. The Administration and many Democrats favor it, but, most times in the past, renewal has caused a fight—and it may very well cause another one this time.

Several important pieces of legislation must pass through Mr. Cooper's hands. The Administration wants to avoid scheduled cuts in excise and corporation taxes—it needs the revenue—and Mr. Cooper is likely to go along on this point. But one of Mr. Cooper's plans—to cut individual income taxes by increasing personal exemptions—can be expected to find little favor with the White House, which fought such a plan last year.

What Mr. Cooper does will make his name a lot more familiar—and may make a difference in a lot of tax bills.

WALTER F. GEORGE, a Georgian who has been in the U. S. Senate longer than any other present member, will be the Democrat to be watched for developments in bipartisan foreign policy conducted by the Republican Administration during the next two years.

Senator George is senior Democrat on two committees—Foreign Relations and Finance. With the privilege of choosing either chairmanship, he is sticking to foreign policy and leaving the finance chairmanship to a stickler for balanced budgets and Government economy, Senator Harry F. Byrd (Dem.), of Virginia.

Nevertheless, Mr. George's knowledge of Government finance will come in handy on the Foreign Relations Committee, which will have to deal with costly bills to finance aid to Asia and Europe. From the standpoint of the Eisenhower Administration, Senator George will be one of the most important figures in Congress because so much Administration policy is bound up in foreign relations.

Senator George, nearing 77, has been in the Senate since 1922. Other Senators respect him as a careful, thoughtful man whose speeches often straighten out confused situations.

A U. S. GENERAL, heading a mission to establish American air bases in Spain, now finds himself in the middle of an international dispute over marriages between Roman Catholics and non-Catholics. **Maj. Gen. August W. Kissner,** commander of the U. S. military group in Spain, is negotiating an agreement to regulate marriages, even between two Americans of different faith.

News of the negotiations prompted sharp remarks in U. S. from some Protestant clergymen who foresaw dictation to Americans by the official state church in Spain, assailed the possibility of restricting Americans' religious freedom. Spain's view is that the agreement merely recognizes present Spanish laws, which, in regard to marriage, conform with Catholic canonical law.

(Continued on page 14)

BEHIND EACH EISENHOWER SPEECH: MEN WHO DO THE WRITING

TWO WRITERS and an expert in producing and directing television dramas are being credited with helping to make President Eisenhower's public speeches smoother and more effective. In the next few weeks the writers will be concentrating on messages to lay the Administration program before Congress.

Mr. Montgomery

Mr. Harlow

Mr. McCann

Chief speech writer at the White House is **Bryce N. Harlow,** an Oklahoman who at 38 has compiled years of backstage Washington experience. Coming to Washington as aide to a Congressman, he handled wartime correspondence for Gen. George C. Marshall and Secretary of War Henry L. Stimson, later headed the staff of the House Armed Services Committee. In private life he has been advertising manager and sales executive with his family's textbook-publishing firm.

Kevin McCann, president of Defiance College at Defiance, Ohio, goes over most speeches. He helped General Eisenhower write the book "Crusade in Europe," and from long association has learned the knack of putting the President's natural expressions into a speech.

Advice on effective use of television comes from an actor-producer, **Robert Montgomery.** He has been a part-time consultant for two years, usually spends two days a week at his desk in the White House.

The writing process begins when the President tells Mr. Harlow the points he wants to emphasize. Experts are assembled for advice. Then a first draft is written. The President usually makes changes in it. Five or six versions often are written before the speech is finished.

Mr. McCann applies his touch in the late stages. Sherman Adams, Assistant to the President, usually edits each speech, too. I. Jack Martin, former aide to the late Senator Robert A. Taft, helps write political addresses. Days of work by this staff lie behind the President's words.

Don't be a target for WINTER AILMENTS!

The raw and chilly months of winter used to be dreaded because of the serious health threats that came with them. Pneumonia, for instance, was especially feared.

Just a few years ago, this disease claimed one out of every three of its victims. Now, fortunately, the threat of pneumonia is much less serious because the sulfa drugs and antibiotics are so effective in most cases.

Pneumonia is still dangerous when treatment is delayed. This was shown in a recent study of 15,000 cases. The case-fatality rate was *twice* as high for patients treated after the fourth day of illness as for those treated earlier. This is why you should call the doctor immediately when you suspect pneumonia. When treated promptly, pneumonia can usually be cured in a surprisingly short time.

What can you do to escape becoming a target for pneumonia? One of the wisest things is to take proper care of yourself when you have a cold. In nine out of ten cases of pneumonia, colds occur before pneumonia develops.

Should you "come down" with a cold, stay at home and rest in bed, eat lightly and drink plenty of liquids. *If a cold persists . . . and especially if you develop a slight fever . . . get in touch with your doctor promptly.*

High fever makes the difference between a "slight cold" and a "serious cold," because it usually means that complications have developed. If, in addition to fever, you also have *chills, painful coughing* or *difficult breathing*, report these symptoms to your doctor at once, for they almost invariably indicate pneumonia.

While winter is upon us, it is important to protect your general health. You may do this if you get all the sleep you need, eat a balanced diet and avoid exposure to severe weather unless properly dressed. In addition, keep away from anyone already suffering from a respiratory ailment.

By guarding your health, your resistance to colds, virus infections and pneumonia may be increased. In the event you develop one of these ailments, your ability to fight the infection and recover quickly will be greater.

If you would like more information on how to help avoid becoming a target for winter ailments, Metropolitan will gladly send you a free copy of its booklet, *Respiratory Diseases*. Just fill in the coupon below and one will be mailed to you.

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CONTINUED

General Kissner, a "big bomber" partisan in the Air Force, long has been an advocate of U. S. bases in Spain. Sent there in March, 1952, he worked 18 months as a chief negotiator of the bases agreement, was promptly reassigned there to head the U. S. military group.

JOHN DAVIS LODGE, a member of the politically famous Massachusetts family, is to start a diplomatic career as Ambassador to Spain. He already has been a lawyer, movie actor, naval officer, a member of the House of Representatives for four years and Governor of Connecticut for four more.

In Spain, Mr. Lodge will find problems. The Spanish dictator, Francisco Franco, shaped up as a hesitant and demanding ally during long negotiations to establish U. S. air bases in Spain. Bases now are under construction. The touchiness displayed during those talks may be a portent of difficulties for Mr. Lodge if friction arises over presence of U. S. troops.

Mr. Lodge, who speaks French and Italian fluently, was mentioned two years ago, in the middle of his term as Governor, as a possible Ambassador to Italy. That post went to Mrs. Clare Boothe Luce. Mr. Lodge ran for Governor again last November, but lost his seat to a Democrat, Abraham Ribicoff.

As a movie actor, Mr. Lodge once played opposite Marlene Dietrich. As a naval officer, he fought in invasions of Italy and France. He is the brother of Henry Cabot Lodge, Jr., Ambassador to the United Nations, a grandson of the late Senator Henry Cabot Lodge.

W. AVERELL HARRIMAN, taking office as Governor of New York, is regarded by many city-machine Democrats as a 1956 nominee for President.

Although Mr. Harriman has said publicly that "I'm for Adlai Stevenson" as the 1956 nominee, there is speculation that he may contest with Mr. Stevenson for the nomination, as he did in 1952.

Mr. Harriman learned about Democratic politics from men who got along with machine leaders—Alfred E. Smith, Franklin D. Roosevelt, Harry S. Truman. The city leaders, including Carmine G. DeSapio, head of Tammany Hall, made plain their opposition to Mr. Stevenson last month. When it came to choosing a new National Chairman of the party, they voted solidly against the pro-Stevenson winner, Paul M. Butler.

The new Governor already has taken a leaf from Mr. Roosevelt's book by picking a machine man, Mr. DeSapio, as his secretary of State. Mr. Roosevelt, when first elected Governor of New York in 1928, promptly installed the Bronx leader, the late Ed Flynn, as secretary of State, four years later got the presidential nomination.

NOEL FIELD caused little surprise in Washington with his decision to stay in Communist Hungary rather than return to the U. S. when Hungary announced it was freeing him after five years in prison as a "spy."

Mr. Field has been named repeatedly in congressional investigations as a member of a Communist "apparatus" when he worked in the U. S. State Department before World War II. During the war he helped the Office of Strategic Services establish contact with Communist-led undergrounds in Nazi-occupied areas. After the war he did relief work in Poland and Czechoslovakia.

The strange case of the Field family is one of the biggest mysteries of the "cold war." Noel Field disappeared in Prague in 1949. His brother Hermann disappeared three months later in Warsaw. A few days after that, Noel Field's wife, Herta, vanished in Prague. Then his adopted daughter, Erika Glaser Wallach, disappeared in East Germany.

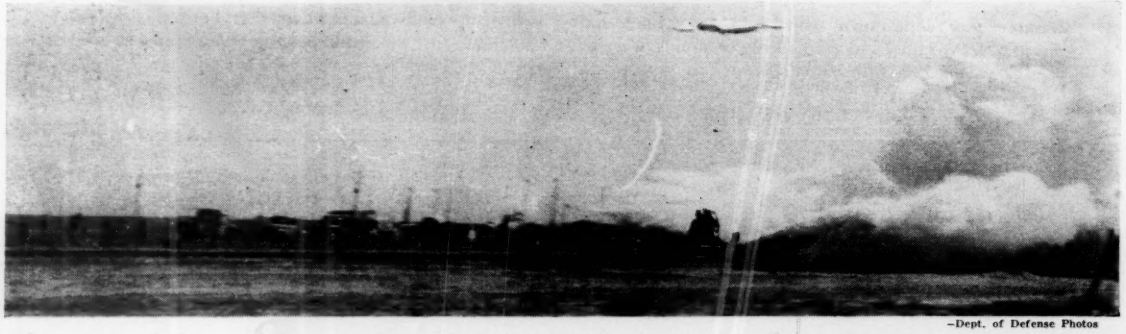
Hermann Field, freed from a Polish prison in October now is in Switzerland. Herta Field is remaining with her husband in Hungary. There is still no trace of Erika Glaser Wallach.

AIR PIONEER'S TEST SHOWS 1,000-MPH SPEED CAN BE SAFE

FASTEST MAN on earth rode a rocket-driven sled on rails across a New Mexico plateau at 632 miles per hour. For the occupant, **Lieut. Col. John P. Stapp,** (right) the trip meant progress toward use of 1,000-mph planes by the Air Force and toward greater safety for passengers in air crashes.

In the time it takes to breathe once, Colonel Stapp rocketed to 632 mph, then was stopped with crash suddenness. He learned that pilots can survive blasts equal to bailing out 7 miles high at 1,000 mph, that a new kind of harness can prevent death in crash stops. His injuries: eyes blackened by eyeballs popping against lids.

Colonel Stapp, 44, educated as a zoologist and doctor, joined the Air Forces in 1944, has been working on crash-survival research since 1947.



—Dept. of Defense Photos

Mr. and Mrs. Ralph Reed and daughter Phyllis, on the s.s. UNITED STATES: "This ship is a real American with her space, speed and gracious service." Mr. Reed is President of the American Express Company.

Mr. and Mrs. Morris Edwards—he's President of the Gruen Watch Company—on the s.s. UNITED STATES: "Our stateroom is huge and couldn't be more comfortable."

Mr. and Mrs. Stanley Adams call the UNITED STATES: "A superb ship. Everything is done for one's comfort and pleasure." Mr. Adams is Chairman of Thos. Cook & Son.

Transatlantic Who's Who

EUROPE is only a long, relaxing weekend away on the **S.S. UNITED STATES**

The popular **S.S. AMERICA** offers extra hours of leisure at sea

Mr. and Mrs. James G. Hanes on the s.s. AMERICA. "Such a friendly ship! One of the things we like best—besides the food—is the *space*." Mr. Hanes is Board Chairman of Hanes Hosiery Mills.

s.s. UNITED STATES. World's fastest, most modern liner sails from New York 12 noon, arrives Havre early morning 5th day, Southampton same afternoon: Jan. 13*, Feb. 1*, Feb. 18*, Mar. 8*, Mar. 24* and regularly thereafter. *First Class $350 up; Cabin $220 up; Tourist $165 up.*

*Also arrives Bremerhaven 6th day.

s.s. AMERICA. Sails from New York to Cobh in 5½ days, 6½ to Havre, 7 to Southampton, 8 to Bremerhaven: Jan. 20, Feb. 10, Mar. 3, Mar. 25 and regularly thereafter. *First Class $295 up; Cabin $200 up; Tourist $160 up.*

Mr. Clem D. Johnston, President, U. S. Chamber of Commerce, with Mrs. Johnston on the AMERICA: "Everyone has such a good time on board—the gaiety is catching!" *Pre-release movies, 3 Meyer Davis orchestras on each ship.*

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There are three good reasons for that fact: *field-proven* Texaco Lubricants, developed with the aid of the finest research facilities available . . . *field-experienced* Texaco Lubrication Engineers to advise on their use . . . and fast, efficient *service* from over 2,000 Texaco Distributing Plants in all 48 States. This combination has helped bring production *up* — and costs *down* — in case after case. It can do the same for every major field of industry and transportation.

One agreement of sale supplies all your plants wherever located. For full details, call the Texaco Distributing Plant nearest you, or write The Texas Company, 135 East 42nd Street, New York 17, N. Y.

TEXACO

INDUSTRIAL LUBRICANTS

TEXACO

VOLUME XXXVIII—No. 1 U.S. News & World Report WASHINGTON, D. C.

RETAIL TRADE TO SET RECORD IN '55

Sales to Be Up in Autos, Food, Clothing, Other Goods

The signs point to a free-spending year, so far as the shopping public is concerned—probably the biggest ever.

Sales records are almost certain in many lines. They'll be far better than average in most others, unless the outlook shifts more abruptly than anybody expects. The grocer, the car salesman, the clothier, the furniture dealer—almost all retailers are looking ahead to a 1955 as good as 1954, or better.

The key: 175.6 billion dollars. That's the outlook for retail spending this year. This survey shows what customers are in the market for and where big buying can be expected.

People are going to buy more goods in the year ahead than they ever bought before. A conservative estimate is that they will spend around 5 billion dollars more in stores than they spent in the year just past.

Spending actually approached a record level during 1954 in the midst of a mild business recession. The public went on buying pretty much as if it did not know things were supposed to be bad.

With the Christmas season, trade boomed. All previous records were broken by a substantial margin. Total volume for the holiday season ran 4 per cent ahead of the previous year.

There is every sign at present that this momentum will carry forward.

Automobile sales are better than expected. Demand for television sets is high. Appliances are moving better. These are the so-called "durable" goods that were bought more sparingly in 1954. In 1955, these types of goods are to be bought more freely, along with housefurnishings, clothing, food, gasoline and other so-called "nondurable" or "soft" goods.

Billions more to spend. People at present are earning a record amount of money, and their incomes are moving higher. It seems quite certain that they will have from 8 to 9 billions more to spend this year than they had in 1954. At the same time, installment terms for buying many kinds of goods are easing. Smaller down payments are required and a longer time is being allowed for payment. Furthermore, many people who bought heavily on installment before the 1953 boom tapered off have now reduced or paid off their debts. They are in an easier position to take on new obligations.

Coupled with rising incomes is the building boom that still goes on. Home building spurted sharply after May, 1954, and by November reached a record high for the season. This trend is expected to continue. Housing starts this year are expected to be almost as high as the record year of 1950.

The building of new homes spreads demand to a host of other things. Houses have to be furnished. They have to have stoves, refrigerators and appliances of all kinds. Gardens must be planted and tools are needed for that. The trend to the suburbs increases the need for autos in getting to and from work, and for second cars to help in shopping and other family use.

Add to this the growth in population and the result is a huge market for everything from baby shoes to air-conditioners. You get an idea of the size of the market and the prospects for various stores in the chart on pages 18 and 19.

Food stores, as usual, will take in the largest number of consumer dollars. Food-store sales were at a record high in 1954, despite the business setback, and another gain is in the offing for 1955. When people have jobs at good wages, they tend to eat tastier and more-wholesome food. Beefsteak is preferred to hamburger, and that adds to the grocery bills. This trend toward better eating will continue in 1955. And it

—USN&WR Photo

DEPARTMENT-STORE SHOPPERS
. . . with $19.2 billion to spend

Basic Data: Dept. of Commerce

actually will mark improved diets—the price of food is not expected to change much in the year to come.

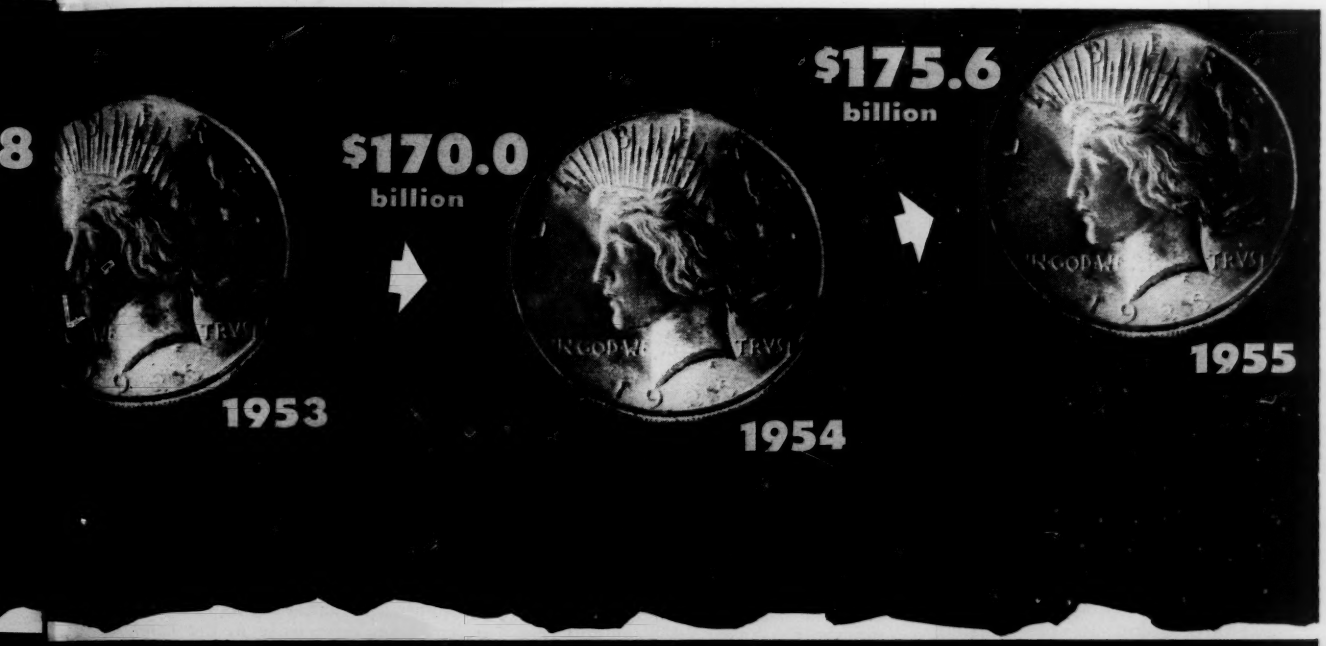
Riding vs. eating. Automobile dealers will harvest the next-largest volume of consumer dollars. Americans now spend almost three fourths as much on automobiles as they do in food stores. When service-station sales are added to the amount spent for cars and parts, the total comes to more than the outlay for meats and groceries.

The importance that the American family attaches to its automobile is a virtual guarantee that more cars will be sold in 1955 than in 1954, when sales took a mild dip. The prospect is that dealers will ring up 31.9 billion dollars in sales in 1955, a rise of about 2 per cent from 1954 but not as high as the 33.3 billion from auto sales in 1953. Filling-station sales have risen steadily for 11 years and will go higher in 1955. The increased number of cars on the road means larger sales of gasoline and oil, as well as more replacement tires and accessories.

Hardware stores and dealers in building materials can expect to cash in on the building boom this year and make a record volume of sales. Sales of these stores began to pick up last spring, and by the end of 1954 were running at an all-time high rate. This pick-up is expected to carry through 1955, bringing total sales for the year to a record 10.7 billions.

The same pleasant prospect confronts furniture stores and appliance dealers. They sold about as much in 1954 as they did in 1953. Now the combination of a housing boom and rising individual incomes indicates that sales this year will rise above the records established in 1953 and 1954.

Higher sales also are expected by jewelry stores, and dealers in sporting goods, office equipment and farm implements. Farm-equipment sales fell substantially in 1954, but producers believe the drop has ended. Jewelry-store sales late in 1954 overtook 1953 figures.



GET MOST OF THE DOLLARS

FURNITURE & APPLIANCE STORES—

1951	1952	1953	1954	1955
$8.6 billion	$8.9 billion	$9.1 billion	$9.1 billion	$9.3 billion

FOOD STORES—

1951	1952	1953	1954	1955
$37.6 billion	$39.8 billion	$40.8 billion	$41.4 billion	$42.8 billion

FILLING STATIONS—

1951	1952	1953	1954	1955
$9.2 billion	$10.0 billion	$10.5 billion	$11.5 billion	$12.1 billion

DRUGSTORES—

1951	1952	1953	1954	1955
$4.5 billion	$4.7 billion	$4.8 billion	$5.0 billion	$5.1 billion

© 1955, By U. S. News Pub. Corp.

Clothing stores have run into shrinking sales since 1952. They missed the 1953 boom, as people apparently cut down on clothing purchases to buy automobiles and household appliances. This year, conditions give every sign of changing. Population growth assures a rising demand for clothing. Rising employment and rising income will provide the means of satisfying the higher demand. So clothing stores probably can count on sales of 10.2 billion dollars this year, compared with 10 billion in 1954.

Department stores, mail-order houses and other general-merchandising firms are likely to hit an all-time high in sales in 1955. Department stores are actively reaching out to tap the growing suburban market and seem determined to counter competition from discount houses. This group also can count on the general increase in activity to add to sales. Volume for 1955 is estimated at 19.2 billion dollars—third highest among merchant groups.

Drugstores have had a steady gain in sales since 1949 and stand to score another moderate gain in 1955. Improved sales also are indicated for stores that deal in other types of soft goods, such as liquor, flowers, newspapers and magazines. Feed and grain dealers, too, can count on moderately improved sales in the year ahead. These merchants, for the most part, are small operators, but together their sales are likely to run above 18 billion dollars this year.

Present signs indicate that in 1955 people will receive an aggregate of 262.2 billion dollars after taxes, compared with 253.7 billion in 1954. Of this sum, a total of 175.6 billion is likely to be spent in retail stores during the year, marking an all-time high. Merchants who specialize in soft goods will have their best year by far, but dealers in hard goods, as a group, are likely to fall a bit short of the record they established in 1953.

For a discussion of easier terms in installment buying, see page 93.

WHEN TAXES WILL COME DOWN

Budget Leaves No Room for Cuts in '55—Maybe '56

Tax cuts, if they are to be made without upsetting the budget, will have to wait a while—probably another year or so.

Government spending is being slashed far more sharply than had been expected. Revenues are outrunning official forecasts and are still on the increase.

Barring unexpected upsets, there may be room for tax cuts by 1956.

New cuts in taxes, now called for by law, are going to be resisted strongly by the White House.

President Eisenhower will try hard to persuade Congress that scheduled cuts should be put off at least one year. If that effort fails, then the top rate of tax applied to corporation profits will fall from 52 to 47 per cent next April 1. And excise taxes will be reduced at the same time on liquor, cigarettes, gasoline, automobiles and trucks.

If the President succeeds in his effort to have tax cuts postponed, two results are expected to follow:

1. A balanced budget will come within shooting distance for the fiscal year 1956, to start July 1, 1955. That's on the basis of the regular bookkeeping budget. On the basis of the cash budget, which measures every cash dollar paid into and paid out of the Treasury, federal income will balance outgo, with a surplus to spare.

2. Tax reduction can be considered by the Congress that comes back in January, 1956, with a good prospect that both a modest tax reduction and a balanced budget can be realized in the fiscal year 1957, beginning in mid-1956.

Less red ink. Finances of the Federal Government at this time appear to be in a good deal better shape than officially described. Spending by Government is running at a level substantially below that projected by the White House. Income promises to be larger than officially estimated.

The budget that President Eisenhower is to offer Congress on January 17 must take into account the provisions of present law. Since present law calls for tax reductions, the projected revenues to be shown by the President's budget are expected to reflect these reductions.

The President's budget, on the basis of preliminary planning, assumes that total public and private spending in the U. S. —what the economists call gross national product—will be 360 billion dollars in the year ahead. Total spending is running at about that level now, and is pointed upward. This means gradually increasing revenues if existing tax rates are held.

Assuming moderate improvement in business—and assuming also that Congress agrees to postpone tax cuts—the outlook for the bookkeeping budget is this:

For the fiscal year 1955, ending next June 30—

- Income: $59,953,000,000.
- Outgo: $62,505,000,000.
- Deficit: $2,552,000,000.

That deficit is more than 2 billion dollars below the deficit forecast by President Eisenhower as recently as last September.

For the fiscal year 1956, beginning July 1, 1955—

- Income: $61,596,000,000.
- Outgo: $62,023,000,000.
- Deficit: $427,000,000.

This is considerably different from the 1956 budget that Treasury Secretary George M. Humphrey and Budget Director Rowland R. Hughes are putting together for Mr. Eisenhower to submit to Congress later this month. However, a deficit as small as 427 million dollars is a realistic outlook when business prospects are taken into consideration.

The unofficial budget estimates given here assume total spending—gross national product—will average 365 billion dollars in the year to end next June 30, and 380 billion in the fiscal year 1956, beginning next July 1. This assumes only a gradual rise, with the average for fiscal 1956 less than 6 per cent above the current level.

As this improvement shows up in the budget, Mr. Eisenhower probably will recommend tax cuts—not now, but about a year from now, early in the calendar year 1956. At that time, he is likely to see room for further cuts in federal spending during the 1957 fiscal year, starting in mid-1956. Also, he probably will foresee rising revenue because of still better business. It should be remembered that there is a lag in revenue collections, so that increased corporation profits do not show up immediately in higher tax receipts. By early 1956, if things move along as now seems likely, the climate should be favorable for some relief to taxpayers.

Impact on business. Now take a look at the cash budget, as distinguished from

Red Ink: Will Ike Get Rid of It?

	Year ended in mid-1954 (Actual)	*Year to end in mid-1955 (Estimate)*	*Year to end in mid-1956 (Estimate)*
Revenue	(Millions of dollars)		
Income taxes	$53,906	$49,274	$50,297
Other receipts less tax refunds	10,749	10,679	11,299
Total net receipts	64,655	59,953	61,596
Spending			
Military	40,336	34,300	33,500
Other security outlays	6,174	6,100	6,000
All other federal spending	21,262	22,105	22,523
Total spending	67,772	62,505	62,023
Deficit	**3,117**	**2,552**	**427**

Source: 1954, U.S. Treasury; 1955 and 1956, estimates by Economic Unit, USN&WR

the bookkeeping budget. It is the cash budget that provides the best measure of the business effects of federal financing.

The cash budget is made up on the basis of the actual cash dollars taken in and paid out by the Federal Government. Unlike the bookkeeping budget, it reflects the income and outgo of the old-age insurance fund and other trust funds administered by the Government. Since these funds currently are taking in more money than they are paying out, the budget looks better on a cash basis than on a bookkeeping basis.

The cash budget will be close to balance in the current fiscal year, and will show a heavy surplus in the year to start next July 1. This is the outlook on the basis of assumptions outlined above.

That is important, because, when Government pays out more cash dollars than it takes in, the effect is to support business. When Government takes in more dollars than it pays out, the effect is a drag on business.

The cash-budget outlook for the fiscal year 1955, ending next June 30—

- Cash income: $67,836,000,000.
- Cash outgo: $67,920,000,000.
- Cash deficit: $84,000,000.

The cash-budget outlook for fiscal 1956, beginning in mid-1955—

- Cash income: $70,590,000,000.
- Cash outgo: $67,814,000,000.
- Cash surplus: $2,776,000,000.

What this means is that, for fiscal 1956 as a whole, Government financing will have the effect of a mild brake on business.

It is important to note, however, that the effect of Government operations varies from one part of the year to another. That happens because the heavy tax collections from corporations come on March 15 and June 15 each year. Thus, Government puts a drag on business in the first half of the calendar year, and tends to support business in the second half. You can see how that works out in the period just ahead.

In the six months between now and mid-1955, the Government will take in 8.1 billion more cash dollars than it will pay out. Effect: a moderate check on private spending and general business.

In the six months after that, July-December, 1955, this situation will be reversed. Government will pay out about 7.6 billion dollars more than it takes in. Effect: a boost for business.

Then, in the period January-June, 1956, Government will collect roughly 10.4 billion dollars more than it pays out. Again, the effect will be a drag on private spending and business.

The cash budget, thus, is the one to examine for the effects of Government financing on business.

—Harris & Ewing

SECRETARY HUMPHREY WITH BUDGET DIRECTOR HUGHES
. . . revenues outrun their forecasts

The regular bookkeeping budget remains important, even so, because it is this budget that is used by Congress and the White House in determining whether there is room for tax cuts.

No end to budget problems. Despite the cuts of the past two years, Government will continue to spend half again as much as it was spending before the war started in Korea.

Even so, a good deal of progress is being made toward a balanced budget. On the basis of budget figures now shaping up for the year to start in mid-1955, it appears that the Eisenhower Administration, during the three full fiscal years of its term, will reduce annual spending by 12.3 billion dollars. That represents nearly 17 per cent of the total budget that the present Administration inherited from the Truman Administration.

As for income, taxes have been reduced by more than 7 billions, yet the decline in revenue apparently is to be held to 3.2 billion.

The deficit, on a bookkeeping basis, is expected to come down by about 9 billion dollars. This, actually, is a better showing than most budget authorities expected in a period of transition from war to peace. At a time when federal spending has turned downward, private incomes and profits are in an upward trend, promising an increase in federal tax revenue.

Total military spending, to be cut 6 billion dollars this fiscal year and an additional 800 million or so next year, still will hit 33.5 billion in fiscal 1956. Cutting below that will be difficult. Reducing the armed forces, as now planned, will save 600 million dollars, but that would be more than offset by a proposed increase in service pay and benefits.

Military aid abroad will be cut, but most of this saving will be taken up by atomic-energy expansion.

All told, national security will cost about 39.5 billions in the coming fiscal year. That represents nearly $2 out of every $3 of federal spending.

All other expenses of Government in the next fiscal year will come to an estimated 22.5 billion dollars. That's higher than in the current year, mainly because federal workers are due for a pay increase to cost about 400 million. Other changes in nonsecurity spending are likely to be small.

The public debt is to climb still higher. The legal debt ceiling, increased temporarily to 281 billion dollars by a 1954 act of Congress, goes back to 275 billion next June 30. The White House probably will have to seek an extension of the higher ceiling. Even with the improved outlook, the debt at the end of the calendar year 1955 is likely to be around 280 billion dollars.

The figures given above, though more favorable than the official budget estimates that Mr. Eisenhower will send to Congress, help to show why the White House will resist letting scheduled tax cuts take effect next April 1. The excise cut now in law would cost 1.1 billion dollars in revenue in fiscal 1956. The corporate tax cut would cost 1.2 billion.

Without these reductions, the deficit in fiscal 1956 probably can be held to 427 million. If the reductions take effect, this deficit is likely to reach 2.7 billion.

In the official view, 1955 is not the year for major tax cuts. The chances look a good deal better for 1956.

WHAT U. S. DOES NEXT IN EUROPE

It All Depends on Whether Germany Rearms

This is the year, a decade after V-E Day, when U. S. is to start rearming an old enemy, Germany, if plans are not upset by old allies.

If rearmed, as approved by the French Assembly, 287 to 260, German forces are to tip the balance of power against Soviet Army units in the vital "central front" area, raise total NATO strength to impressive size at last.

But a good chance of upset remains. Final approval of rearming still faces a series of roadblocks. If rearmament plans break down later, Europe's defense may undergo even more drastic change. So may U. S. role in that defense.

Here is a look at what's really at stake for U. S. in this crucial period in Europe.

PARIS

If all goes well from here on out, a start can be made in arming Germany as a full-fledged member of the Western Alliance by mid-1955.

Two years after that, by mid-1957, the Germans again will be a major military power in Europe.

This assumes no hitch in the program now laid out for bringing West Germany back into the councils of Europe. There are plenty of opportunities for hitches to develop, which accounts for the caution shown by all of those concerned with European defense.

What the United States will do next in Europe—a multibillion-dollar decision that will affect the basic direction of U. S. aid and use of U. S. forces—will depend largely upon this plan for Germany.

A roadblock to German rearmament, if one does appear, will force a recasting of all plans of those concerned with a barrier to Russian expansion.

There is a chance, if the approval given in last week's dramatic series of test votes in Paris is modified in other votes still to come, that France and Germany will vie with each other to make some kind of deal with the Russian Communists, thereby wrecking chances of a joint defense.

A go-ahead signal, however, and the power balance in Europe, which now tilts slightly to the Communist side, can start gradually to tilt toward the side of non-Communists.

At stake is the rearming of Germany within the NATO framework. In West Germany is the manpower that can be supplied by a nation of 50 million people. German industry and German know-how—both considerable—can be integrated into a broad defense system that already is gathering substantial strength. (See chart on this page.)

What rearmed Germany means. If political differences between France and Germany can be solved, the non-Communist world will get these things:

- Twelve German divisions of 360,000 men, organized along modern lines, equipped with the latest weapons. Of these divisions, 2 will be mechanized infantry, 4 armored, 6 motorized. German divisions, when trained, will be integrated into an international army corps under Allied command.
- A tactical German Air Force of 86,000 men, 10 bomber units, 6 fighter units, 1,326 aircraft, 2,000 flying officers. Germans are to be permitted to produce their own jet fighters and light bombers, adding further to Allied strength in the air.
- A coastal Navy of 20,000 men, equipped with armed, high-speed patrol boats.
- An industry that is making great strides. German industry already is outproducing its prewar rate. During war, that industry sustained a material effort that lasted nearly six years against the Russians, British, French, Belgians, Dutch, Canadians and Americans.

It is not forgotten by Allied planners that Germany, while fighting the West in World War II, came near to an unaided victory over Russia, which had large-scale help from the United States and other Western allies. Russia gained the upper hand only after being supplied with vast amounts of American transport equipment, American fuel, ammunition and food.

An alliance of Germany with the U. S., Britain, France, Italy, Belgium, Holland and other NATO members—based on the military power of those nations—can serve as a formidable barrier to Russian ambitions, as those planners see it, once the alliance is welded together.

There is a chance, however, of many a slip between today's dream

IF GERMANY IS REARMED—

Troops. Twelve German divisions go into the defense line along the Iron Curtain, boosting by 50 per cent the West's fighting manpower in Central Europe.

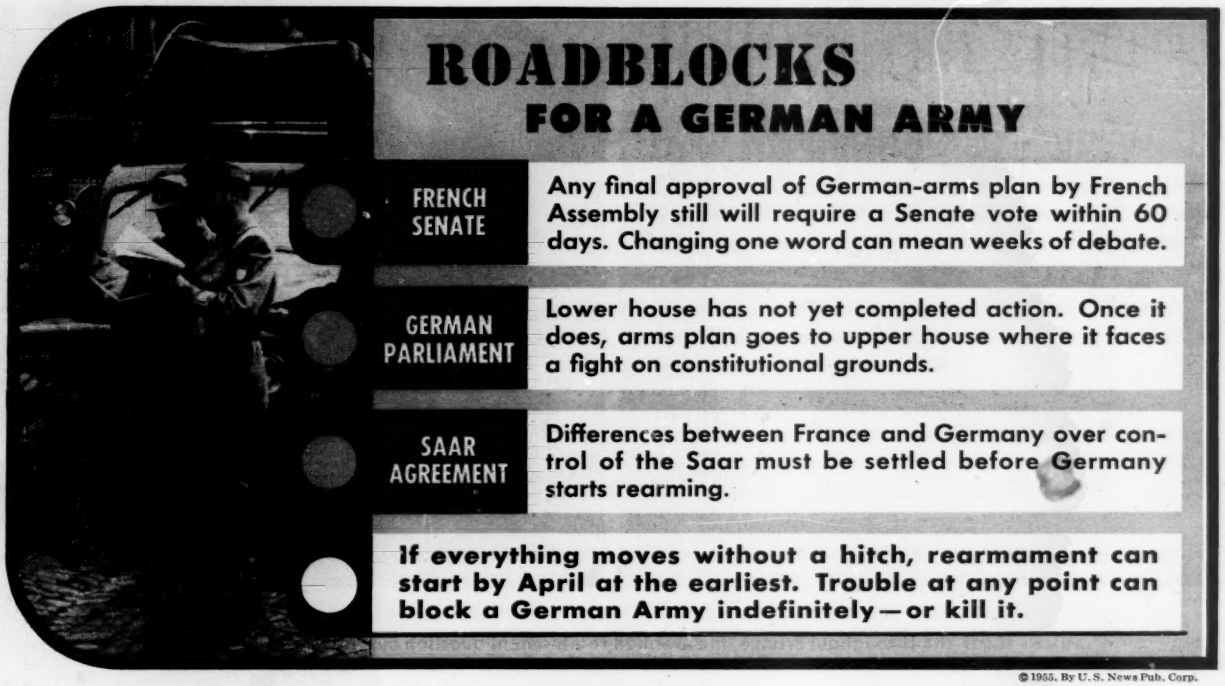
Planes. Ten tactical bomber detachments, six fighter groups take their places in Europe's air defenses.

Power. Plants of the Ruhr are coupled into the North Atlantic Treaty Organization, uniting the industrial might of West Europe against Russia.

WHAT IT MEANS TO U.S.—

Money. Arming Germany will cost U. S. anywhere between 2 and 4 billion dollars, depending on what Germany can produce.

Manpower. Five U. S. divisions will stay on in Europe, subject to NATO command. German divisions are not a substitute for American divisions.


ROADBLOCKS
FOR A GERMAN ARMY
FRENCH SENATE
Any final approval of German-arms plan by French Assembly still will require a Senate vote within 60 days. Changing one word can mean weeks of debate.
GERMAN PARLIAMENT
Lower house has not yet completed action. Once it does, arms plan goes to upper house where it faces a fight on constitutional grounds.
SAAR AGREEMENT
Differences between France and Germany over control of the Saar must be settled before Germany starts rearming.
If everything moves without a hitch, rearmament can start by April at the earliest. Trouble at any point can block a German Army indefinitely—or kill it.

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and tomorrow's realization. (See chart on this page.) For example—

• A reluctant French Parliament might still find a way to trip up the German rearmament plans. No great urge is seen in France to go ahead with the rearming of Germany. Signs are that the French are not averse to some kind of deal with Russia as an alternative.

• The French Senate must act on the plan in February. If it makes any changes, the whole matter must be reopened in the Assembly, with more opportunities for snags to develop. The Senate must act within 60 days, could upset things in that time.

• The German Parliament, as well, can trip up rearmament plans. Neither house has yet given its final approval on the complex issues involved, and opposition to Chancellor Adenauer's leadership in this regard is strong.

• At the last stage, rearmament plans can be scuttled by long-standing discord over the Saar. Only general agreement has been reached by the French and German chiefs of state on what to do about the Saar—legislatures of both countries still must approve details which neither accepts with enthusiasm. This problem, of gaining acceptance for at least a temporary *modus vivendi* concerning the Saar, may be the most ticklish and difficult one to overcome before rearmament plans may be put into effect.

Odds, however, are slightly on the side of final approval. That's the view of American officials who qualify every prediction with the explanation that French politics are unpredictable. These officials count heavily on the fact that the French stand to lose nearly 2 billion dollars in authorized U. S. aid and military spending if France fails to go along with the rearmament plan.

Outlook for U. S. If approval is forthcoming, U. S. will be faced with this prospect in Europe:

Arms for Germany are to be made available, in part, by the United States. That total cost is estimated at between 2 billion and 4 billion dollars. Half a billion in arms intended for Germany already has been delivered to U. S. depots in France. Further shipments will cover a period of years, the amount depending on how much the Germans themselves produce.

—United Press

MENDÈS-FRANCE WITH ADENAUER
Still chance for an upset

German divisions then will begin to supplement the five U. S. divisions and the four and two thirds British divisions now manning Western Europe's front lines, up against the Iron Curtain. American and British forces in Germany, for the first time, will begin to have adequate protection for their flanks, with German troops strengthening two sectors—the Jutland area and Denmark in the North, and Czechoslovakia in the South, commanding approaches to Bavaria.

When ready, the 12 German divisions will be grouped with American, British, French, Belgian and Dutch divisions into an international corps, with integrated Allied staffs, so that there will be no all-German Army corps, at the start at least. The NATO corps will be commanded by two NATO Army groups, the Northern one under a British general, the Southern under an American general. Both Army groups, in turn, are commanded by French Marshal A. P. Juin, who receives top strategic orders from American Gen. Alfred M. Gruenther, the NATO commander.

Strength of the combined NATO force, once these German divisions are added, will be raised to 60 combat-ready divisions and more than 6,000 combat planes. Behind this force will be 54 skeletonized

—United Press, Wide World

OUTSIDE THE ASSEMBLY: A DEMONSTRATION INSIDE: MENDÈS-FRANCE WITH COLLEAGUES

Throughout France, the German rearmament question cuts deep

reserve divisions, set to fill the ranks and take the field from three to 30 days after war starts.

West vs. Russia. On the vital "central front" in and near Germany, NATO will have 34 active divisions, which will outnumber in manpower and vastly excel in firepower the six Soviet field armies massed behind the Elbe River. A surprise Russian attack without prior build-up from the Soviet homeland would mean military suicide for the Kremlin's finest forces, as Western planners view it now.

With prior build-up, however, Moscow could unleash as many as 75 divisions for a drive through Germany toward the Rhine. Allied strategists firmly believe that a Communist force of this size could be held by a German-reinforced NATO Army of 60 somewhat larger divisions, provided that Allied force were unhampered in its use of tactical atomic weapons.

Build-up of German divisions, in other words, is expected by Western planners to give the Allies a real edge in strength for stopping any surprise Communist assault, and a more-than-even chance to hold an attack preceded by a massive Russian concentration of troops from the interior.

Timetable for the build-up of a German force, assuming it is approved, allows for a gradual increase in its military effectiveness over a three to four-year period.

Starting phase, lasting about six months, will involve the selection of 60,000 veteran officers, noncommissioned officers and technicians, who will be put through an eight-week refresher course in shifts.

The second phase, also six months long, will involve enlisting and training of the first 60,000 draftees, to be called up for basic training under an American-type selective-service system.

Building the German land forces from the ground up is expected to take longer than it took the U. S. in World War II to train divisions. American divisions, under pressure, were turned out then in one year. The German over-all training program is being planned on a basis of three to four years.

Strategy without France. If approval of German rearmament is upset later by France for any reason, U. S. faces a wholly different prospect in its role of helping to defend Europe.

Germany still will be rearmed. That much is agreed on now by the senior partners in NATO. Rearmed Germany, in that case, will be outside the NATO framework, either as an ally of the West, such as Yugoslavia, or within a new European organization.

If that should happen, wrecking NATO, then France would stand to lose the bulk of the U. S. military aid and arms contracts authorized and still unspent. The French, now the central land power in NATO, also may find themselves suddenly outside the joint organization for defense of Western Europe.

U. S. commanders in Europe then may be forced to revise their strategy in order to get along without France's central geographic location and military contribution. NATO would be deprived, in that case, of 4 active divisions, 14 divisions in some degree of preparedness, 20 tactical air squadrons, the use of about 50 NATO-built airfields in France and French Morocco, the harbors of Cherbourg and Le Havre, and logistical support from a line of communications that U. S. has been building for more than two years at a tremendous cost. The loss of French forces could be critical during the three or four years in which West Germany is being built up.

However, Western strategists now figure that Europe can be defended without France, if need be. With German forces, there would be no net loss in the number of men under arms, after a few years. With supply lines through France cut off, shorter lines could be set up to channel supplies from U. S. to the front-line area through other ports, such as Antwerp and Rotterdam. With the loss of dozens of airfields, Allied planes could use bases in Britain, Belgium, Germany, Italy, even Spain, with less danger of Communist sabotage. A defense system less dependent on the whims of the volatile French Assembly might be less subject to violent fluctuations, some Allied planners believe.

The United States, in any event, now faces a basic change in the setup for defending Europe, one in which American planners and American arms will play a major role. In just a few months, one way or another, a beginning now can be made toward adding German strength to create an impressive Western force in Europe.

With Democrats Running Congress—

Ike Wants Harmony, but History Is Against Him

The accord that President Eisenhower is promoting between a Republican White House and a Democratic Congress is not to come easily.

If lessons of history hold, politics will get in the way.

On foreign policy, things may run along smoothly. On taxes, power, farm policy, other domestic issues, it will be hard to prevent a clash.

Faced with a Congress controlled by the opposition party, President Eisenhower is prepared to undertake an experiment. Instead of expecting a fight and getting ready for it, the President plans to try co-operation.

White House strategy rests upon the premise that the Democrats who hold positions of power in the 84th Congress, and Republicans who fix policy at the White House see almost eye to eye on many issues.

On the basis of that reasoning, the President is trying to establish amicable relations with his political enemies.

History, however, indicates that the odds are against the President. When at least one house of Congress is controlled by one party and the White House by another, the result is usually a hostile rather than a cooperative Congress. That has happened to nine Presidents since the Civil War, four of whom had to face opposition control in both houses.

Mr. Eisenhower now finds himself in that situation. In the Senate are 48 Democrats, 47 Republicans and one Independent who will vote with the Democrats. In the House are 232 Democrats and 203 Republicans—a Democratic margin of 29 seats.

Politics prevails. Actually, more than policy differences separate a President from a Congress controlled by the opposition party. There is also simple political ambition. When the opposition overturns Congress in a President's midterm, the winners smell another victory two years ahead in a presidential race.

History again indicates that the victorious party is usually correct. Only once has a President managed to get himself re-elected after his party lost both houses of Congress at mid-term. Harry S. Truman accomplished that in the election of 1948. Only one other time, when Republican James A. Garfield succeeded Rutherford B. Hayes, has a party elected a President after losing Congress two years earlier.

So Mr. Eisenhower is up against a natural Democratic inclination to embarrass the Administration in the hope of gaining the White House in 1956. In fact, some Democrats already have begun to snipe at the President's record.

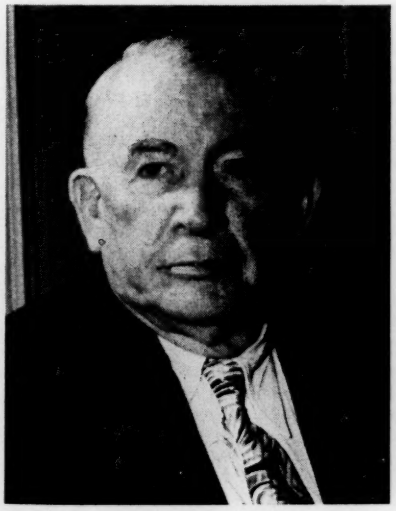
When it comes to the issues themselves, the President appears more likely to win his points on foreign policy than in domestic affairs. The White House foreign policy is not much different from that of the Roosevelt and Truman Administrations, but, in domestic matters, wide rifts could develop.

In foreign affairs, for example, Mr. Eisenhower is likely to find much more support among Democrats than among Republicans for his reciprocal-trade policy. Democrats also may be willing to go further than even Mr. Eisenhower wishes in extending aid to other nations. After all, both programs were originated chiefly by the Democrats.

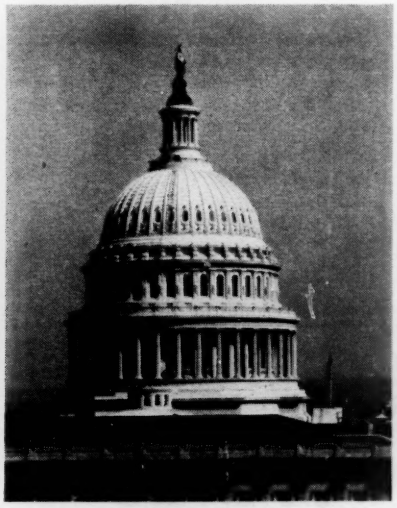
Criticism from inside. Most vigorous critics of Mr. Eisenhower's policy toward China and Asia have been members of his own party. Most Democrats appear to approve his approach to the problems of the Far East. And there is very little opposition among Democrats to the Administration's policy toward Europe. In fact, the North Atlantic Treaty Organization was put together by Democrats.

On domestic matters, however, the President is likely to find the going rather rough. Harmony will be hard to attain in this field.

On taxes, the White House probably can persuade Congress to retain the 52 per cent tax on corporate earnings, but



FORMER VICE PRESIDENT BARKLEY



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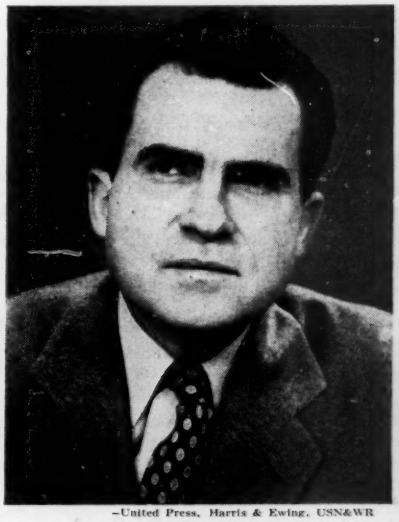


—United Press, Harris & Ewing, USN&WR

VICE PRESIDENT NIXON

An opposition Congress puts the No. 2 man on the spot

Democrats may fight his plan to keep emergency excise levies on the books. They are due to end automatically April 1 unless Congress acts. A good many Democrats also would like to see individual income taxes lowered, something that the President opposes.

When it comes to Government spending, Democrats are much more generous than the President and his advisers. Secretary of Defense Charles E. Wilson's program seems certain to get close scrutiny from Democrat-controlled committees, and cuts made in the air and ground forces are headed for some sharp criticism. Democrats also are likely to sponsor larger outlays for public works than the Administration wants, if only to embarrass the Chief Executive.

Many Democrats already have indicated, by their stand on the so-called Dixon-Yates contract, that they will attack Mr. Eisenhower's policy on public power in Congress. The Administration idea of forging a partnership between public and privately owned electric utilities appears certain to be the center of a growing political controversy. Democrats will press for more rural electrification, more valley and river-basin development.

Farm-policy bickering. The agriculture program, too, is to be a source of controversy if not of action. The Secretary of Agriculture, Ezra Taft Benson, was a prime target of Democrats in the last campaign—and party leaders are not likely to drop this issue. Mr. Eisenhower might possibly have to use the veto to save the Benson program.

The President may even run into trouble on legislation that both he and some Democrats favor—questions such as Government-guaranteed health insurance that was blocked in the last Congress, or changes in the Taft-Hartley Labor-Management Relations Act. As a matter of political expediency, Democratic proposals in Congress might go further than the White House desires.

The President's best chances of success at co-operation probably depend upon the coalition of Midwestern Republicans and Southern Democrats that often can combine to dominate Congress. Senator Walter F. George, of Georgia, as head of the Foreign Relations Committee, and Senator Richard B. Russell, from the same State, as head of the Armed Services Committee, probably will be sympathetic to most military and foreign-aid proposals from the White House.

Senator Harry Flood Byrd, of Virginia, who is to head the Finance Committee, will be even more cautious on tax matters than the Administration. Similar situations will prevail among most new committee chairmen in the House.

A BIPARTISAN STORY . . .

—USN&WR Photos

Former Majority Leader Knowland (left) and new Senate Leader Johnson enjoy a nonpolitical joke before Congress convenes

The new session of Congress also starts with cautious statements of reasonable co-operation from the new Senate Majority Floor Leader, Lyndon B. Johnson, of Texas, and Speaker Sam Rayburn of the House. Mr. Rayburn and Joseph Martin of Massachusetts, who becomes House Republican Leader, are old friends. It remains to be seen how Senator Johnson and Senator William F. Knowland, the Senate Republican Leader, get along.

Trouble for Mr. Nixon? Vice President Richard M. Nixon, who often has been the White House contact with Congress, is in a more difficult position as presiding officer of a Democratic Senate. Mr. Nixon's vigorous campaigning before the last elections ruffled a number of Democrats, and they may be hard to soothe. His value as a White House emissary is likely to be dimmed.

At bottom, what happens to the Eisenhower "harmony program" depends upon how the Democratic majorities in House and Senate judge the political situation. Most Presidents in the past have found that opposing Congresses are more inclined to put party success ahead of White House programs.

Herbert Hoover, battling the onset of a depression, had to battle Congress, too. Woodrow Wilson found his foreign policy repudiated by a Republican Senate. It was the same story with Republicans Ulysses S. Grant, Rutherford B. Hayes, Chester A. Arthur and Benjamin Harrison, and with Democrat Grover Cleveland. All of them ran into bitter partisan bickering.

Mr. Truman succeeded well enough in foreign affairs with a Republican Congress, but made no pretense of co-operating on his domestic program. He refused most offers to compromise and then went into a successful campaign for re-election still fighting against what he termed a "do-nothing" Congress.

Can coalition work? Mr. Eisenhower is taking a different approach. He is banking on the prospects that those he calls "moderate progressives" in both parties will find his program to their liking. In effect, the President is saying that a coalition of Republicans and Democrats can work with the White House to make the next two years a success.

But the problem is that both parties will be eying the White House two years hence, and that promises to make Mr. Eisenhower's role more difficult. Democrats will not be eager to make the Eisenhower record shine. Republicans are not likely to want to make the Democratic record in Congress look so good.

How farmers really voted in 1954 election—page 37. What Congress will investigate now—page 61.

Latest on Social Security:

PENSION CHANGES THAT AFFECT YOU

New regulations governing old-age retirement took effect January 1. Tax increases are included in the changes.

Millions of individuals—10 million or so—become subject to rules that already affect the lives of 48 million workers and their families.

In what follows, you get a quick review of changes that are of direct concern to you.

Taxes Go Up This Year

Employers in 1955 will withhold a tax of 2 per cent on wages and salaries up to $4,200 a year. In 1954, income affected by the payroll tax was $3,600.

Employer contribution also is to be 2 per cent of the pay of each employe up to $4,200, where the maximum had been on a $3,600 base.

Maximum tax to support the old-age retirement system now is to be $168 a year—half from employer, half from worker. It was $144.

Self-employed workers in 1955 will be subject to a tax of 3 per cent on their net earnings up to $4,200. It had been 3 per cent on $3,600. Top tax goes from $108 to $126.

New Rules for Employers

Housewives now must report, and pay taxes on, the wages of maids, cooks, gardeners, chauffeurs who are paid as much as $50 in a specific calendar quarter—January through March, April through June, and so on. A $5-a-day, one-day-a-week maid meets that test.

First tax payment is due April 30 for this first quarter of 1955.

Farmers must report, and pay taxes on, wages of all farm workers who get as much as $100 in cash in a year. That means far more workers covered.

First tax payment on farm wages is due early in 1956, for 1955.

Farmers must pay the self-employment tax on their own farm earnings if they have $400 or more in net farm income—that is, after expenses.

First report for farmers is due along with income taxes early in 1956, for the year 1955.

Accountants, architects, most other self-employed professional workers in 1955 also are subject to the self-employment tax. First payment is due along with income taxes in early 1956. Exceptions: lawyers, doctors, other medical professionals. They're exempted.

Ministers and Christian Science practitioners get a free choice. They can enter the old-age retirement system, and be subject to the self-employment tax, now if they want to. They get about two years to make up their minds.

State and local employes who have their own retirement systems can enter the system and start paying the payroll tax now. But they and their State governments will have to approve the change first.

Federal workers—about 150,000 of them—now will find the payroll tax being deducted from their checks for the first time.

Higher Earnings Allowed

Millions of retired workers in 1955 will be permitted to earn more money without losing old-age checks.

A worker retired at 65 and drawing an old-age benefit can earn as much as $1,200 in 1955 without losing any old-age benefits. Under the old rule, he could earn only $75 a month.

A retired couple drawing the new maximum benefits in 1955 can have nearly $3,000 of pensions and earned income without losing any monthly pension checks. The total can go to almost $4,200 if both work part time.

A retired worker who earns $1,200.01 theoretically will lose one month's pension check. For every $80 above that, he loses another pension check.

Important exception: A worker retired at 65 and taking part-time employment will not lose a pension check for any month in which he earns no more than $80.

Example: Worker earning $1,200 in January and $80 a month for rest of the year can draw his pension check for 11 months of the year.

A retired business owner or professional worker will lose no pension checks for any month in which he does not contribute "substantial services" to a trade, business or profession.

Example: A small proprietor, retired, can turn management of business over to a son and continue to draw profits without losing any pension checks. He still can contribute occasional advice to the firm.

Retired persons who are at least 72 now can have unlimited earnings without losing any pension checks. Until now, they had to be at least 75 to rate that privilege.

Word of warning: In 1955 and after, earnings from any job—covered by Social Security or not—will count toward the $1,200 limit. In the past, a retired person could have unlimited earnings in a job not covered by Social Security, and still draw his old-age checks. Now he can't.

You still can draw unlimited investment income without losing pension checks.

DAY OF THE SUPERCARRIER IS HERE

4 Floating Bases Built or Building, 5th to Come

A new basic weapon—the supercarrier—now is being added to this country's atomic-age arsenal. Plan is to have five.

Why are supercarriers being added now, after a veto in '49? How much will they cost? What can they do? Answers from behind the scenes—

A whole fleet of supercarriers—the new strategic air arm of the U. S. Navy—will sail the seas of the world in years ahead.

The U.S.S. *Forrestal*, launched now to join the fleet by late 1955, is just the first of five supercarriers built, building or projected. Money to start the fifth of these huge warships is to be included in the President's 1956 budget.

Only six years ago, the U. S. Joint Chiefs of Staff, acting under White House orders, were writing the end to the supercarrier idea. The keel of the U.S.S. *United States* was laid in April, 1949. But this supercarrier was junked five days later on President Truman's orders.

Today the supercarrier is regarded by military commanders as basic to the defense of the United States.

When a fleet of these mammoth ships is in being, as the planners see it, they will be capable of carrying the punch of thermonuclear weapons to targets anywhere in the world. The new ships are considered particularly important for the Pacific area, where land bases are scarcer and harder to supply than in Europe. They are considered vital, too, for supplementing bases in the U. S.—which could be used to defend Europe, if enemy forces overrun that continent and French North Africa.

Terrific striking power. The punch that new supercarriers will have is tremendous. Each ship will carry about 90 fast jet planes, many of them new Skywarrior jet bombers which travel at close to the speed of sound and are capable of delivering big atomic weapons. A single attack by the jet bombers from one supercarrier, in theory, could level many of Russia's major cities to radioactive rubble.

Each supercarrier, in addition, is to carry new jet fighters to provide interception and protection for both bombers and ship. These include the delta-shaped, needle-nosed Skyray, which recently broke a world speed record by reaching 752.9 miles an hour at level flight. Also included is the Fury, a version of the F-86 jet of Korean-war fame.

With these weapons, the supercarrier is expected to be able to deliver its full atomic punch more than 1,000 miles in-

Here's What the Newest U. S. Warship Is Like—

U.S.S. *Forrestal*

- **LENGTH: 1,036 feet, the longest ship ever built**
- **WIDTH: 252 feet, or twice as wide as the *Queen Elizabeth***
- **SIZE: flight-deck area, 4 acres**
- **WEIGHT: 59,650 tons empty, or more than any other warship ever built**
- **PROPELLERS: 4 of them, each with 5 blades and a diameter of 22 feet**
- **CREW: 3,500 men, including its air group**
- **SPEED: rated by Navy at "over 30 knots," with more than 200,000 horsepower**
- **HEIGHT: equal to that of a 25-story building, from keel to top of mast**
- **MASTS: hinged, so that they can be folded for ship to pass under bridges**
- **MOBILITY: ship too big to pass through the Panama Canal, must go around Cape Horn**

Source: U.S. Navy

land, from positions well off enemy shores.

To provide this atomic striking power, the new-type warship is setting records for size, complexity and cost.

As the chart below shows, the first supercarrier is the longest, widest ship ever constructed. It weighs more than any other warship, is higher from the waterline than Niagara Falls, has a flight deck a fifth of a mile from end to end. It has a deck which permits landings and take-offs at the same time. And it has powerful steam catapults for launching extra-heavy jet bombers.

Outlay—Nearly 400 million. Cost estimates of the giant warship center around 200 million dollars for the vessel and its ordnance, plus 175 million for its complement of jet planes.

Also involved is the additional cost of maintaining a crew of 3,500 officers and men to run the complex warship and keep its jet bombers in the air. Then there are the added costs of supply vessels, a possible task force to accompany the big warship, facilities to maintain the ships and planes.

But the planners now figure that a fleet of the new supercarriers will be more than worth their cost in the H-bomb era ahead. The big advantage is reported to be in the flexibility added to American air power by floating jet-aircraft bases, supplementing the big, land-based Strategic Air Command of the U. S. Air Force. These bases may be set up and used offshore anywhere, regardless of decisions made by allied parliaments or national assemblies.

While the location of every U. S. land base may be known to the enemy, that of a supercarrier always will be difficult to pinpoint. It may appear anywhere on the high seas, moving more than 800 miles in one day.

What about subs? How vulnerable the new supercarriers may become to enemy submarines or supersonic aircraft, only experience in another war can tell. But the planners are impressed by World War II loss figures, in which only 11 of 110 U. S. carriers of all types were lost to enemy action. The theory, at any rate, is that a supercarrier will provide its own protection.

Construction of the planned new fleet, as a result, already is well under way. The U.S.S. *Forrestal*, designated by the code number CVA59, is to be commissioned on or about Nov. 10, 1955.

The next supercarrier, numbered CVA60, is being built at this time at the Brooklyn Navy Yard, and is scheduled to be launched in December, 1955, as the U.S.S. *Saratoga*. At the same time, CVA61 is under construction at Newport News, Va., to be launched in 1956 as the U.S.S. *Ranger*.

Initial prefabrication has begun, too, on CVA62, as yet unnamed, at the New York naval shipyard. The fifth supercarrier has been approved by Administration planners, will be requested from Congress in next year's defense budget.

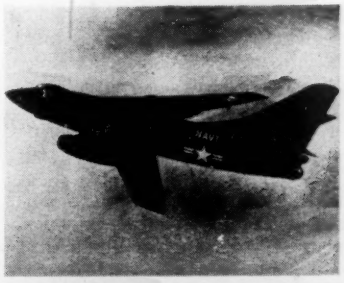
One "minor" change now being made to the *Forrestal*—moving the island superstructure 20 feet to the starboard side to provide more width for the big runway—is to run the tab up by an estimated $300,000 to $400,000.

Basic weapons. The decision has been firmly made that the supercarrier is to be added as a basic new weapon to this country's atomic-age arsenal—to keep the sea lanes open and augment the big fleet of fast, land-based bombers. The cost for a fleet of five, at present prices, will be about a billion dollars for ships, and approximately 875 million for new jet planes to be used on those ships. But their value, if the planners are right, could be incalculable in the H-bomb era.

These Are the Chief Planes Supercarrier Will Use—

A3D Skywarrior

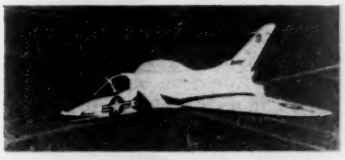
Largest and most powerful plane ever built for carrier use



- **PURPOSE:** to deliver big nuclear weapons
- **CREW:** 3 men
- **SPEED:** 600 to 700 miles an hour, or about the speed of sound
- **ENGINES:** 2 new-type J-57 jet engines
- **ALTITUDE:** can fly at 40,000 feet for high-level bombing raids
- **RANGE:** has an "extended cruising range" for bombing far-distant targets

F4D Skyray

Highly maneuverable, fast jet fighter



- **PURPOSE:** to provide protection for bombers and carrier
- **SPEED:** more than 752 miles an hour in level flight
- **RATE OF CLIMB:** can reach 40,000 feet from carrier's deck in less than 5 minutes

FJ-3 Fury

Closely resembles the F-86 Sabre jet

- **PURPOSE:** to provide more protection for bombers and carrier
- **SPEED:** in excess of 650 miles an hour
- **ALTITUDE:** can fly at more than 45,000 feet

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"Coexistence" Hits Washington

Communists Now Under Orders to Be Nice to People

Since Moscow called the signal for "peaceful coexistence," some strange things have been happening in Washington.

Communist diplomats are genial hosts now, and good neighbors. They're kind to animals—and even to American newsmen.

Here are glimpses of the Russians and their satellite colleagues in action—busily trying to thaw out the "cold war."

A WASHINGTON BUSINESSMAN lives next door to one of the Communist embassies.

Every morning for years he and his neighbor, the Ambassador, have passed each other on the front sidewalk, with the Ambassador looking right through him as though he weren't even there. The Embassy staff made it a deliberate point not to recognize any members of the American family if they happened to meet in a store, at a bus stop, or anywhere else in the neighborhood.

The Americans made several attempts at good-neighborliness, such as trying to start across-the-yard conversations or offering lifts downtown to the people next door. But they were rebuffed so often, and so thoroughly, that they gave it up as a hopeless job.

The other morning the businessman left for the office and there on the sidewalk, as usual, was the satellite Ambassador. This time the diplomat stepped up, flashing a wide smile and eagerly extending his hand.

"Good morning, Mr.—!" he beamed as he hurried into an arm-pumping handshake. The American managed to return the greeting, but he must have shown how startled he was. The Ambassador smilingly explained:

"Our new policy is to like you!"

THERE IS A STRAY CAT that haunts the alleys back of the Soviet Embassy on Washington's Sixteenth Street.

Each morning for months now the cat has been showing up at the same hour to stare at the Embassy back door. After a while, the door swings open and somebody sets out a saucer of milk. The cat ambles across the yard, laps up the free meal, and goes on his way.

A Washington columnist heard about the cat-feeding routine and wrote about it not long ago.

Later, during a party at the Soviet Embassy, another Washington newsman remarked about the story to his hosts. The Russians seemed to enjoy it immensely.

"It's right," laughed First Secretary Aleksandr Zinchuk. "We must do something for these poor, starving capitalist cats."

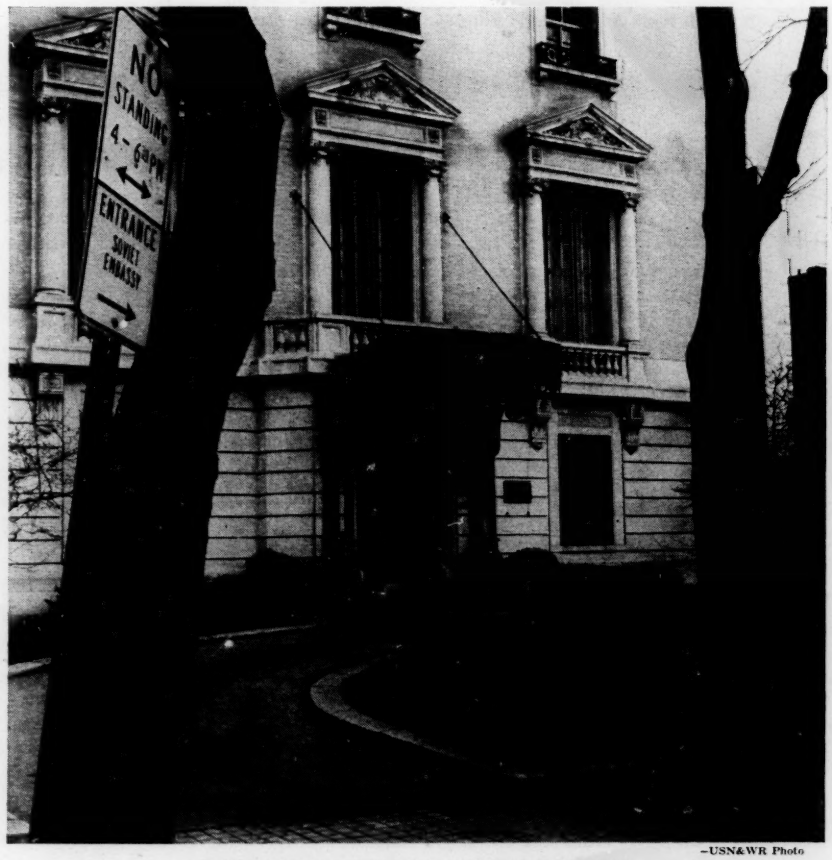
THE PRESS ATTACHÉ of the Soviet Embassy has just applied for, and received, an associate membership in the National Press Club. This means that the Club officers regard him as a source of news in Washington.

That is something completely new. The Soviet and satellite embassies have always been a graveyard, so far as news is concerned. About the most they've ever said to any American newsman is: "No comment." The press attaché was the first Russian Embassy official ever to apply for membership in the newsmen's club.

When he did so, a Washington reporter inquired if the Communists were starting a new policy of news and information.

"Our Embassy is always news for you newspapermen," he replied. Then he grinned and continued: "Reporters even made a story about the fact that there is a public parking space between the driveways in the front of our Embassy. They call it a gap in the Iron Curtain."

It is true that news inquiries at the



–USN&WR Photo

THE SOVIET EMBASSY IN WASHINGTON
. . . kind words for stray cats and neighbors

Communist embassies nowadays are met with much more co-operation and courtesy than they were a few months ago.

UNTIL RECENTLY, Russian diplomats came and went without the Soviet Embassy's taking any public notice of their movements. Officially, literally, they were here today and gone tomorrow.

Several years ago, for example, an American had lunch with a Russian acquaintance. The Communist talked and acted as though he expected to be in Washington indefinitely. He mentioned the possibility of a motor trip into the interior of the United States and chatted casually about vacation plans.

Two days later the American telephoned the Embassy and asked to speak to his luncheon companion. "Gone," was the answer. The Russian had been recalled to Moscow. Nobody would say why, whether he was going home to promotion or prison, what the prospects were of his returning to the U. S., who had taken his place—nothing!

That has changed now. The Russians even give parties to say farewell.

The first such party was staged for a counselor of the Russian Embassy who had been in Washington for four years. The invitations said: "Cocktails 5 to 7, to Say Good-bye." The party was held in the Embassy's main reception room.

The counselor himself is a heavy-set, humorless man who fit well into the previous, unsmiling Soviet line, but who seemed to find it difficult to adjust to the new "good fellow" attitude. His fellow Russians, however, went out of their way to make it a congenial party. One of them waved cheerfully at the bar and told the guests:

"Our host is going home. He is just giving this party to use up all his left-over drinks," and he laughed uproariously.

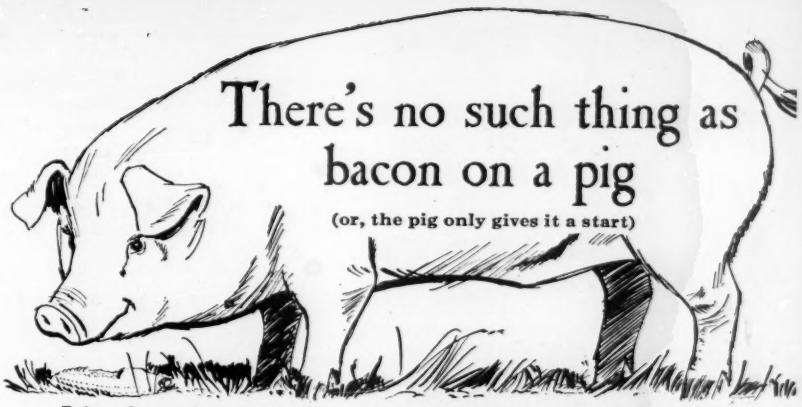
On the bar were a number of glasses of vodka—as usual, poured out and waiting for the vodka drinkers. The Russians like to have their guests try it. They also are pleased to match anybody, drink for drink. In fact, you get the impression that Russian officials are forbidden to take a drink unless they persuade a guest to have one, too. You don't see a Russian just step up to his own bar and have one on his own.

THERE WERE NO CONTESTS in this winter's National Press Club election in Washington. For the first time in years, only one candidate filed for each office.

The Club, nevertheless, went through the formalities of an election.

Among the early voters was a man from Tass, the Soviet Government's

(Continued on page 32)



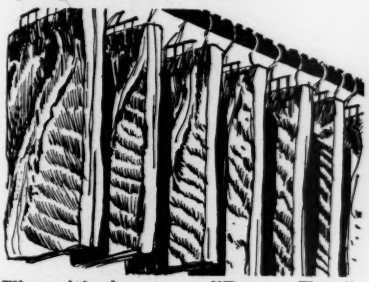
There's no such thing as bacon on a pig

(or, the pig only gives it a start)

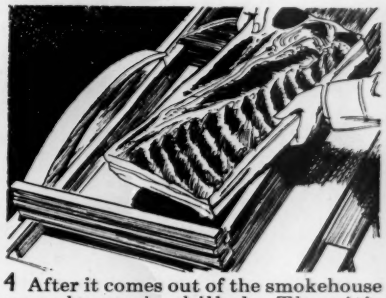
It's a long, long way from the pig to the crisp bacon on your breakfast plate. What originally comes from the hog isn't what *you'd* call bacon at all—not at first, anyway. Bacon requires lots of "post graduate" work before it's ready to cook.

1 The first step is to select the "side" that can be made into the kind of bacon you like. Then the "side" is trimmed and squared carefully into the proper shape by a skilled workman.

2 Next comes the curing. Every one of America's hundreds of bacon-making packers has his own special curing formula. Gives *you* lots of flavors to choose from.



3 Then it's hung on "Bacon Tree" racks and moved into the smokehouse, where smoke from special wood gives it the haunting fragrance that brings your family bounding into the kitchen.



4 After it comes out of the smokehouse your bacon is chilled. Then it's "formed" into just the right shape so the slices come out nice and even, the way you see them in your store.

5 Finally, the slicing machine shaves it off in uniform slices (about 10 slices per second). Wrappers pack it neat and pretty; and the shipping department starts it off to you.

6 Surprise you how many steps there are from porker to packer to breakfast table? Yet bacon is only one of hundreds of processed meats prepared in modern packing "kitchens" every day.

AMERICAN MEAT INSTITUTE

Headquarters, Chicago — *Members throughout the U. S.*

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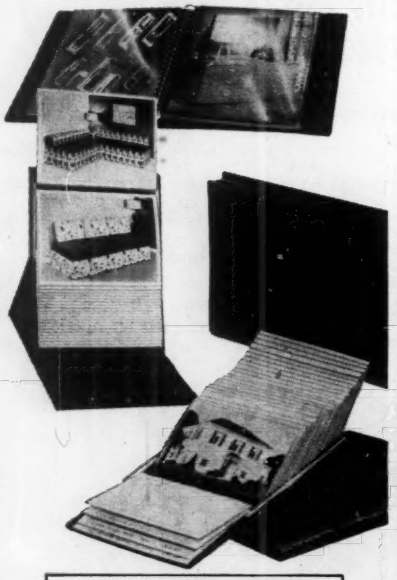

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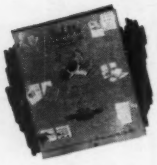

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news-gathering agency that operates in Washington. He is a member of the Club, but his right to vote was challenged by an election official on the ground that he owed a dollar on an unpaid luncheon check and, thus was ineligible.

Grinning, the Tass man produced a dollar, paid off the debt and reached for a ballot.

"No matter the cost," he said, "I want to vote in this American-type election, where there is only one candidate for each office."

THIS WINTER, for the first time in years, Soviet diplomats showed up at the Yugoslav Embassy to attend a reception. The Russians haven't been speaking to Marshal Tito and his Communists since 1948, but that is changing now.

Someone mentioned to a Russian guest that it was a surprise to see him celebrating Yugoslavia's national holiday.

"Well, you can make quite a round of it," he chuckled. "Mr. Tito goes to Burma, and Mr. U Nu [Burma's Prime Minister] goes to Peiping, and now we are trying to be friends with Mr. Tito—thus, we go around and around."

Another guest observed to a friend that the sociability between the Russians and the Yugoslavs seemed to be a bit nerve-racking on both sides.

"After all," he said, "outside of small talk, there isn't much they can say without insulting each other. They can't talk about Yugoslavia's alliances with the West. They can't talk about Tito's economic needs, or Russia's failure to do anything about them. They really skate on thin conversational ice. There just isn't much they can discuss after the chitchat."

A NUMBER OF YEARS AGO a Washington family invited a Russian diplomat to dinner. The invitation was cordially accepted.

But the dinner hour came and went—no Russian. He never sent his regrets, never apologized, never offered an explanation—nothing.

During this past Christmas season the same family asked another Russian diplomat to "drop in" for dinner one evening. He said he would like to if he could locate a baby-sitter for his children.

The diplomat arrived at the appointed hour. He seemed ill at ease in the beginning. It probably was the first American home he had ever visited. As the evening wore on, however, he relaxed, told stories of his boyhood in Russia, got into a detailed discussion on the Soviet educational system, and seemed in general to have a fine time.

A year ago it couldn't have happened in Washington.

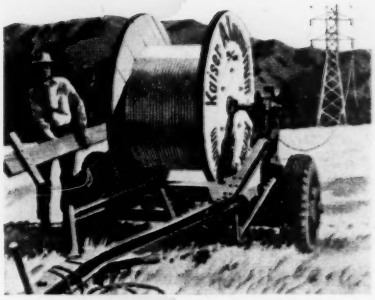
—United Press

SOVIET AMBASSADOR & MRS. ZARUBIN GREET GUESTS

At parties: a more relaxed atmosphere

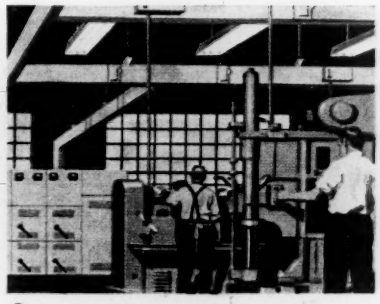
HOW PROGRESSIVE MANUFACTURERS OF ELECTRICAL MATERIALS ARE

Cutting America's electric bill ...with Aluminum

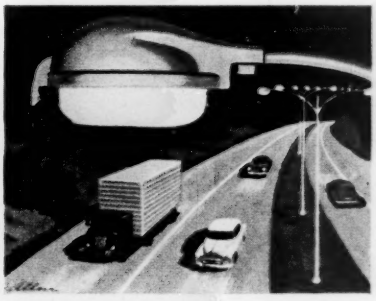


1. ELECTRICAL TRANSMISSION lines of light weight Kaiser Aluminum cut construction costs for utilities. Longer spans, fewer structures, lower conductor prices mean less investment than with copper.

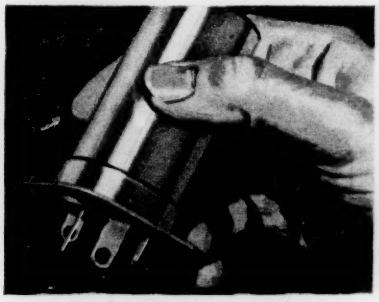
2. KAISER ALUMINUM covered wire for electrical distribution lines, and Triplex for service drops, costs far less than copper. And because aluminum is light in weight, it's easier to string—faster and more economical to install.



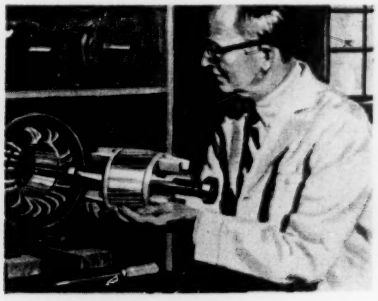
3. BUS CONDUCTORS of Kaiser Aluminum provide safe, efficient, low-cost distribution of large amounts of current in plants, office buildings, power generation stations, substations. Light weight aluminum is easy to handle, reduces installation costs.



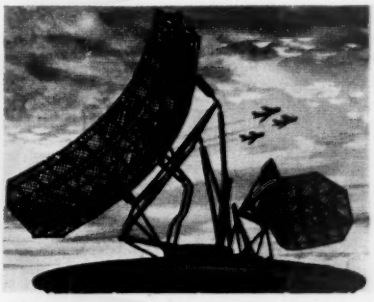
4. STREET LIGHTING standards made of extruded aluminum won't rust, will last for years without maintenance. Light weight aluminum is easy, economical to fabricate and erect. Aluminum lamp reflectors can increase brilliance as much as 20%.



5. ELECTROLYTIC CAPACITORS made from high purity aluminum foil, make possible better performing, more dependable radios, TV sets, hearing aids. Kaiser Aluminum's production controls and research assure foil of uniform high quality.



6. IN ELECTRIC MOTORS, aluminum is the ideal metal for rotors. The lightness of aluminum permits many design economies. And because it can be cast to close tolerances and easily machined, Kaiser Aluminum reduces fabricating costs.



7. FOR EVERY KIND of electronic equipment—from radar to radio—Kaiser Alumium is playing a vital role because of its conductivity, lightness, strength, economy. No other material equals aluminum's *combination* of properties.

THE PRODUCTS SHOWN HERE are only a few of hundreds which demonstrate the tremendous advances made by manufacturers of electrical equipment through the use of aluminum.

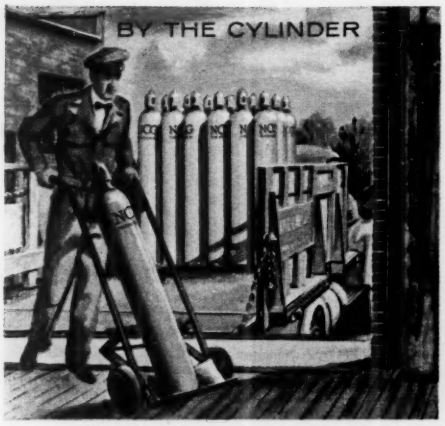
Today, more and more manufacturers are bringing the unique benefits of aluminum to you through an ever-increasing use of Kaiser Aluminum. For our vast expansion now gives us the capacity to produce close to 30 per cent of all the primary aluminum made in this country.

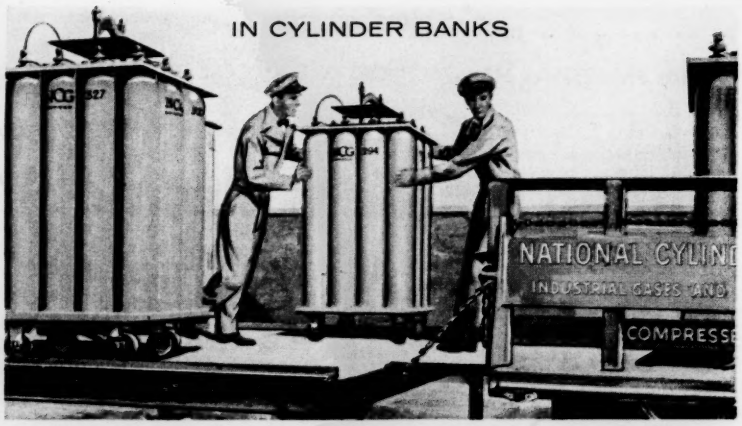
As a basic producer of aluminum, our efforts are put behind the job of serving *manufacturers*—to help improve their products and reduce costs.

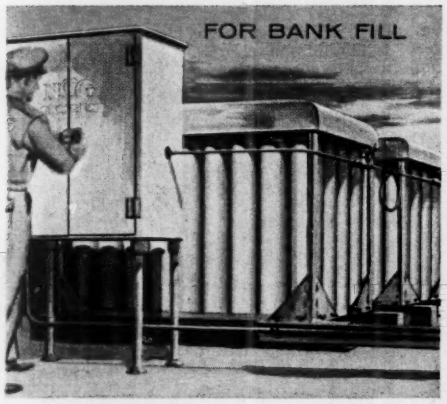
If you want more information about our own or our customers' products, write: Consumer Service Division, Kaiser Aluminum & Chemical Corporation, 124 Kaiser Building, Oakland 12, California.

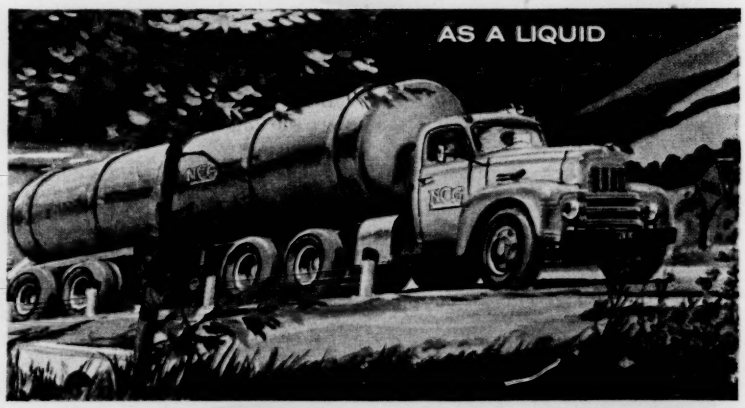
Setting the pace—in growth, quality and service

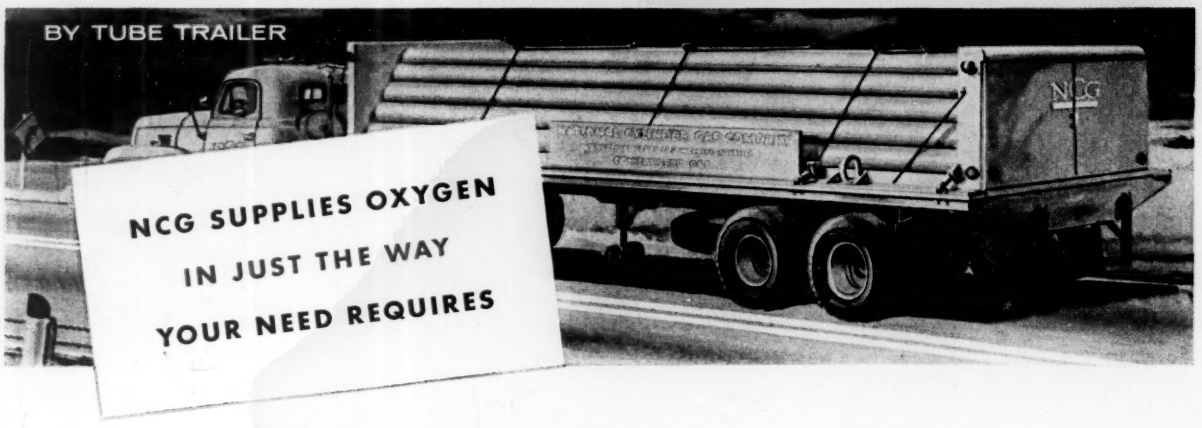
Kaiser Aluminum











The needs for oxygen in industry vary as widely as the multitude of processes and operations that use it. Some plants devour as much oxygen in an hour as others do in a month. But whether the volume required is very large or relatively small, it is always a fact that an unfailing supply is *vital.* Neither people nor processes can wait for oxygen.

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SECRETS FOR SALE IN BERLIN

Reds Using Girls to Spy on the West

How safe are U. S. military secrets in Germany? This is the question now being asked after a beautiful German spy is caught charming information out of top U. S. intelligence officials.

Irmgard Schmidt, it develops, is not the only "Mata Hari" in Germany. And even the strictest rules, the record shows, are not always effective against beautiful women.

BERLIN

What worries American authorities about the case of the beautiful German girl who has just been caught spying for the Russians is: It was no isolated case, but rather a part of a continuing and dangerous pattern of "Mata Hari" espionage conducted by the Kremlin.

Irmgard Margarethe Schmidt is far from being the first German beauty to succeed in seducing important military secrets out of American officials. Scores of Soviet spies have been caught and convicted in Germany. Many of them were women.

The Russians seem to have become convinced long ago that American men are susceptible to the lures of such charming young women as Fräulein Schmidt. And, it is being realized, many potential Mata Haris—women just as beautiful as Fräulein Schmidt—still are employed in American installations where secrets are available. Other women, although not officially employed, are known to have close personal relations with American men who know those secrets.

Serious questions now are being asked about the whole U. S. security system, not only in Berlin, but in all of Germany.

Busy spy center. Spying, throughout Germany, is common. In Berlin, it is routine. This occupied city, split by the Iron Curtain, is one of the world's biggest and busiest centers of espionage.

Here, hundreds of agents, representing many countries—and hundreds of free lances who will deal with any country—are busily buying, stealing, selling and trading information of all kinds.

Walk into any night club on Berlin's gay white way, the Kurfürstendamm, where American soldiers gather, and it's a good bet that at least one of the lovelies drinking with the soldiers is a spy. And one of those civilian men at the next table probably is keeping a trained ear on the Americans' conversation, listening for some kernel of information that can be put to use by the Communists.

Almost any scrap of information about American activities can be turned to account. The market is unlimited. Military information, of course, is preferred and brings the highest prices. But other information also has its value for propaganda use in this East-West meeting ground which has become the front in a propaganda "cold war."

Scandal spreads quickly. Let any kind of scandal occu one night among Allied occupation forces in West Berlin, and, no matter how closely it may be hushed up, it is gleefully reported by the Communist press and radio in East Berlin the next day. Someone on the inside has talked.

One thing that makes Berlin such an ideal espionage center: It's only a subway ride through the Iron Curtain, and secrets obtained in West Berlin can be whisked to Communist headquarters in a matter of minutes. When U. S. agents arrested Fräulein Schmidt, she was on her way to East Berlin with a new packet of stolen information.

—Wide World

IRMGARD MARGARETHE SCHMIDT
. . . not the only "Mata Hari"

Fräulein Schmidt's case is typical of how Communist spies work. That is why it is important.

Irmgard Schmidt lived in Halle, in the Soviet occupation zone of Germany. She belonged to various Communist youth and women's organizations. She was intelligent. And she was extraordinarily beautiful—a voluptuous brunette.

Soviet intelligence agents approached this young woman early in 1953, and, after several months of testing and training, she was signed up with a written pledge to spy as a Soviet agent. She was given the "cover" name of "Stephania."

In May, 1953, Fräulein Schmidt was sent to the U. S. sector of Berlin under orders to form contacts with Americans. This did not prove difficult. She appeared at the big Tempelhof Airport operated by the Americans in West Berlin and announced herself as an employe of the Communist East German Government, willing to sell Americans secret information about the Communists.

Rendezvous arranged. As usual, her story was investigated. During the investigation, however, she met a high-ranking U. S. intelligence official who, by official accounts, "took more than a professional interest" in her. The two began to meet frequently.

With the help of this official, Irmgard got a job as a secretary in a U. S. intelligence office. She soon became a well-known figure in West Berlin's social and night life. She dressed in the finest clothes that the U. S. Army Post Exchange could provide.

This, for a Soviet spy, was an ideal setup. But she overplayed her hand. She showed too open an interest in filing cabinets, safes and secret papers. So she was fired.

Her high-ranking American friend, however, came to her rescue, and she got another job with the Americans, at Tempelhof Airport. With the contacts she had established, she still was able to operate. She had at least one other intimate friend among American intelligence officials besides the one who had got her the jobs.

Among the information that Fräulein Schmidt admitted obtaining and sending

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to the Russians was the order of battle for Allied forces assigned to defend West Berlin in case the Soviets should strike. For this, her pay was $375.

Finally, as with most spies who are caught, Fräulein Schmidt made a mistake. She attached herself to a German employed by U. S. forces. She promised to marry him if he would give her a list of Western agents spying in Eastern Germany or a full report on the organization for which he worked. The German reported her to his American employers.

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In return for the welcome guilty plea, the U.S. prosecutor, Thomas J. Lancian, suggested a three-year prison sentence for the confessed spy. The American judge, Ambrose Fuller, took a sterner view. He sentenced her to five years in Landsberg prison.

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HOW FARMERS REALLY VOTED IN '54

They Followed Their Pocketbooks, Not Parties

Secret of how and why the farmer voted last November, what he did or didn't do to the Republican and Democratic "ins" and "outs" now is being solved.

A study by *U. S. News & World Report* of five States where the farm vote was considered a big factor shows the politicians didn't always figure the returns right. In some cases, townspeople, rather than farmers, caused upsets. Farmers themselves paid more attention to purse-strings than to personalities or prejudices.

The analysis that follows tells you what actually happened in the rural precincts.

One of the big mysteries growing out of the 1954 congressional election is what really happened to the farm vote. On the face of the returns, the farmer seemed to be going in several directions at the same time.

In Wisconsin and Minnesota, the farmer was pictured as turning against the Republicans. In Iowa, he appeared to have rejected a Democratic Senator. In Michigan and New York, he was described as whacking down Republican candidates for Senator and Governor. But he was said to have held firmly to Republicans in States such as Kansas, Nebraska and the Dakotas.

Ezra Taft Benson, the Secretary of Agriculture, in almost the same breath was called a hero and a villain. His flexible price-support program for the farmer was depicted as the big issue upon which the farm vote swung.

To solve the mystery of the farm vote, *U. S. News & World Report* has made an extensive study of the way the farmer voted. The study reached down into the rural voting precincts and townships of Iowa, New York, Michigan, Wisconsin and South Dakota. Census Bureau and farm experts on the scene in these States helped to segregate the farm vote from that of nonfarmers. The study shows:

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In Wisconsin, there was a sharp swing of farmers away from the Republicans. Governor Walter J. Kohler lost a majority of the farmers, just as did Republican State-wide candidates in Minnesota. Farm incomes were down in these States.

Despite the fact that Republicans won in South Dakota, there was a sizable shift of the farm vote toward the Democrats. This, too, reflected the state of the farmer's pocketbook.

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A closer, more detailed look at the five areas covered by the study:

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The yardstick used here, as in most other areas studied, was one in which the returns from townships having 85 per cent or more

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NEW YORK — Republicans Held the Farm Vote

(36th congressional district, composed of eight dairying counties)

Republican John Taber, elected to his seventeenth term in the House, got these percentages of the 36th-district vote:

	Farmers	Other Voters
1952	78.3%	68.7%
1954	74.6%	67.5%

Republican Senator Irving M. Ives was defeated in his race for Governor, but won a big margin in the 36th district. Mr. Ives's vote in this district:

Farmers	Other Voters
76.9%	69.3%

There is no sign here that farmers were responsible for Senator Ives's defeat.

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of dirt farmers were taken as reflecting the farm vote.

The sixth congressional district holds 15 counties. Many of its farmers usually sell their corn for cash rather than feed it to hogs and cattle. For this reason, they have been hit harder by the corn-acreage restrictions tied to price-support loans than farmers who feed their corn to livestock and thus can ignore acreage allotments.

The Republican Representative from this district, James I. Dolliver, voted against flexible price supports and is listed as an anti-Benson Republican. Mr. Dolliver ran 10.2 percentage points better among the farmers than did Mr. Martin, the pro-Benson candidate for the Senate.

In spite of the fact that Mr. Dolliver got 57.3 per cent of the farm vote in the district, his own vote was 12.9 percentage points below his vote from the farmers in 1952. He ran 3.4 percentage points better among other voters of his district than he did among the farmers.

Republican workers in the sixth district said the downturn in their popularity among farmers reflected, directly, the lower income of the farmers.

In New York. A close study of the rich dairying regions of New York showed their farmers remaining stanch Republicans. There was no such sliding away from the party as was found in Iowa and in the corn-hog sections farther west. Mr. Ives carried St. Lawrence and Delaware counties, two of the biggest dairy sections in the State, by proportions of 7 to 3 and 3 to 1 over Averell Harriman, his Democratic opponent.

A detailed study was made of the 36th district. It holds eight counties given largely to dairying. Here the farm vote was defined as that in rural townships with less than 2,000 population and more than 50 per cent farmers. The district has been held for 32 years by Republican Representative John Taber, whose name is a voting symbol in the area.

In this district, Mr. Ives got more than a 3-to-1 proportion of the farm votes, running even better than did Mr. Taber among the farmers.

Yet Mr. Taber got almost a 3-to-1 proportion of the farm votes. He slid off 3.7 percentage points below the farm vote he received in 1952. Among the other voters of his district, Mr. Taber got a proportion of 2 to 1 over his Democratic opponent.

Mr. Harriman, with strong backing from labor, built up his small winning margin in the big-city and industrial areas.

In Michigan. Dairy and other cash farmers of Michigan turned up a 7-to-3 margin for Senator Ferguson. Patrick V. McNamara, a labor candidate leading the Democratic opposition, beat Mr. Ferguson in the urban and industrial areas, not among the farmers.

This shows up clearly in a study of farm voting in the seventh congressional district. Here an analysis was made of the vote in townships having 75 per cent or more of farm population. The district holds dairymen and other cash farmers. It has six counties, represented by Jesse P. Wolcott, a Republican. In this district, Mr. Ferguson got 70.1 per cent of the farm vote. But among non-farmers in the district he got only 51.9 per cent.

Mr. Ferguson got a larger proportion of the farm vote in the district than did Mr. Wolcott, who was re-elected. The edge that Mr. Ferguson got among the farmers was wiped out in the cities. Mr. Wolcott got a 3-to-1 proportion of the farm vote in 1952. His proportion dropped to 2 to 1 in 1954.

The farmers in this district, handy to big urban markets for vegetables and dairy products, proved to be still strongly loyal to the Republicans.

In Wisconsin. Dairy farmers of Wisconsin showed a sharply contrasting picture.

Here a farm yardstick devised by the

SOUTH DAKOTA — Democrats Made Gains

(first congressional district, composed of 44 corn-hog and cattle counties)

Republican Harold O. Lovre, re-elected to the House, got these percentages of the district's vote:

	Farmers	Other Voters
1952	69.0%	68.1%
1954	54.3%	60.1%

Shift of farm vote did not go far enough to give Democrats a victory in South Dakota.

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Wisconsin Agriculturalist was used. It defined the farm vote as that in rural townships with 80 per cent or more of farm population.

Governor Kohler, a Republican, got 70.3 per cent of the farm vote in 1952. But, in 1954, after giving his approval to the flexible farm price-support plan, Mr. Kohler got only 48 per cent of the farm vote. It took 52 per cent of the vote in the towns and big cities of the State to give Mr. Kohler another term in the statehouse.

Wisconsin dairy farmers divided sharply, however. Those in good shape financially voted Republican. Those less well off voted Democratic. Mr. Kohler carried all but four of the counties in southeast Wisconsin, outside the metropolitan area around Milwaukee. He lost all but four counties in the northwestern part of the State.

Income is higher for the farmers in southeastern Wisconsin. Milk production is high and they are close to Chicago and Milwaukee markets. The other farmers, with lower production, farther from markets, depended more on price supports.

In its own study, the *Wisconsin Agriculturalist* said there were similar shifts of farmers away from the Republicans in other areas of the Middle West where farm incomes were down.

A common remark among observers in the Wisconsin-Minnesota area is: "Farmers voted their pocketbooks. They didn't like Benson's cut in dairy price supports."

In South Dakota. The falling off in the vote for Republican candidates in South Dakota even affected men who had fought the flexible price supports in Congress. But the swing toward the Democrats did not go far enough to affect results.

MICHIGAN **Most Farmers Stayed With Republicans**

(seventh congressional district, composed of six cash-crop and dairying counties)

▶ **Republican Jesse P. Wolcott, re-elected to the House, got these percentages of the district's vote:**

	Farmers	Other Voters
1952	74.5%	58.3%
1954	66.8%	50.1%

▶ **Republican Homer Ferguson was defeated for re-election to the U.S. Senate, though seventh-district farmers went heavily for him. Mr. Ferguson's 1954 vote in this district:**

Farmers	Other Voters
70.1%	51.9%

Republicans clearly won the farm vote. Senator Ferguson was unseated by urban voters, not farmers.

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This shows clearly in a study of the voting in the 44-county first district. Here the farm vote was examined in returns from rural precincts, which include no towns. The farmers produce corn, hogs and cattle.

In this district, Republican Representative Harold O. Lovre won re-election. But there was a 14.7-percentage-point drop in the proportion of the farm vote that he got in 1954 compared with 1952. This was almost twice the drop in his popularity among other voters.

Where Mr. Lovre had won a majority of the farm vote in every county in his district in 1952, he lost to his Democratic opponent in 14 of the 44 counties in 1954. He got only 54.3 per cent of the farm vote, but held 60.1 per cent of the nonfarm vote. In Congress, Mr. Lovre had fought the Benson program.

A Republican Party worker in this district said there was a great deal of dissatisfaction with the farm program in South Dakota.

The over-all picture. Farmers generally showed a tendency to stay with the Republicans. There was no general farm revolt, in spite of the shift to the Democrats by Wisconsin and Minnesota farmers. But there was a diminution in the vote margins that farmers gave to Republican candidates, generally.

In the New York district, the falling away was only about 4 percentage points. In Michigan, Iowa and South Dakota, it ranged upward to almost 15 percentage points. But in none of these cases was the shift in farm vote large enough to overturn a congressional district.

Where farmers felt they had been hard hit by changes in their income, as in Wisconsin and Minnesota, they turned to the Democrats. In Wisconsin, the urban vote saved a Republican Governor. In Minnesota and New York, the urban vote went to the Democrats. In Iowa, it built up Republican majorities.

Under close examination, the mystery of the farm vote disappears. What happened was that farmers voted much like city and industrial workers. Where income was down, the votes went against the party in power. This can be an omen for 1956.

WISCONSIN **Republicans Lost the Farm Vote**

▶ **Republican Walter J. Kohler was re-elected Governor of the important dairy State of Wisconsin even though he lost the farm vote. His State-wide vote lined up this way:**

	Farmers	Other Voters
1952	70.3%	61.5%
1954	48.0%	52.0%

Wisconsin farmers deserted the Republican Party in large numbers in 1954.

Source: Wisconsin Agriculturist

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Traffic Jam in the Sky

Air Travel Outgrows Planes, Airports, Routes

The billion-dollar-a-year airlines business is suffering from acute growing pains.

Scheduled planes alone carried 30 million passengers inside U. S. in 1954. More people crossed oceans in planes than on ships.

Result: Planes crowd the air lanes, swarm over airports, jam up on landings and take-offs.

The combined airports of London—the world's largest city—today rank next to Kansas City, Mo., in volume of air traffic. Paris, France, is just below Louisville, Ky., as an air center. New York City airports are handling four times as much air traffic as London.

Air travel in the United States is in a sensational year-to-year rise.

Traffic on scheduled air routes inside U. S. has doubled within the last four years and is nearly three times what it was when World War II ended nine years ago. U. S. scheduled airlines are becoming big business, with receipts from passengers and freight that exceeded 900 million dollars in 1954 and are expected to pass a billion in 1955.

Air travel to overseas places is booming, too. In 1954, for the first time in history, more people crossed the oceans as passengers in planes than by ship. Nearly 2 million air passengers traveled between the U. S. and overseas countries in 1954, almost four times as many as in 1946.

New problems. This rise of the air-travel industry is bringing with it a rise in problems that affect communities, the Government and the airlines themselves, as well as the travelers who ride the planes.

Airports are too small in many areas to handle the growing volume of business. Air lanes, the "aerial highways," are becoming so overcrowded that the Federal Government is having to restudy the whole problem of routing and controlling planes.

The airlines, at the same time, worry over financial trends. They are caught in a squeeze between rising expenses, including increasing outlays for new equipment, and fixed fares that are barely above those before World War II. Airlines figure that pay to their workers has increased about 128 per cent since 1938, while the average fare per mile is up only 3.5 per cent.

Profits have been dropping since 1952. That explains why airline spokesmen are laying the groundwork for a request for higher fares sometime in the future, in talks before the Civil Aeronautics Board, which regulates air rates.

Phenomenal growth of air traffic is showing up all around the country. Nearly everywhere the problem of finding space enough for airplanes, in the air and on the ground, is becoming critical.

The situation is highlighted nationally at New York City, busiest air "hub" for scheduled airlines. New York on occasion has to divert planes to other points during bad weather, because its blind-

BIG BOOM IN AIR TRAVEL
SINCE WORLD WAR II—
AIR TRAVEL IN U. S. HAS NEARLY TRIPLED
1946— 5,942,000,000 miles
1950— 7,766,000,000 miles
1954— 16,200,000,000 miles
(Revenue passenger miles on domestic scheduled airlines)
NEARLY FOUR TIMES AS MANY PEOPLE GO ABROAD BY AIR
1946— 538,000 passengers
1950— 1,095,000 passengers
1954— 1,900,000 passengers
(Passengers by air between U. S. and other countries excluding Canada and Mexico)

Source: Through 1953, Dept. of Commerce; 1954, estimate by Air Transport Association

Photos: USN&WR

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landing facilities are unable to handle the swarms of incoming craft wanting to land.

Trouble spots. With today's heavy traffic loads, delays at New York are likely to produce a chain of jams and disrupted schedules from Puerto Rico to Boston in the East, and all the way to Los Angeles in the West.

Other air centers besides New York have their congestion problems as the volume of air traffic continues to grow. Among the worst trouble spots are Washington, D.C.; Norfolk, Miami, Chicago, Los Angeles, San Francisco and Seattle. But Detroit, Dallas, Pittsburgh, Cleveland and St. Louis develop traffic jams in the air, too. So do many other communities.

Steps to improve the situation include wider use of radar and better radio surveillance of planes in the air, so that more planes can use a given amount of air space and landing area with safety.

The Civil Aeronautics Administration, in charge of the airways, proved at the Washington (D.C.) National Airport that enlarged radar and radio facilities can bring a marked increase in an airport's capacity for handling planes.

An emergency expansion of radar facilities at New York is being pushed by CAA now; similar action is in store at several other points, and new traffic-control centers will be completed in several areas in months ahead.

Improved communications, however, can bring only temporary relief in most areas. The final answer is more airport space in a growing number of cities.

Expansion program. Pressure for bigger and better airports is resulting in ambitious airport-expansion projects all over the nation. In some cases, such as Chicago's new O'Hare Field, which will be five times as big as Chicago's present Midway Airport, construction is well started. In other places, such as Washington, D.C., and Los Angeles, expansion still is in the planning stage.

Houston is a community that just completed a big new airfield featuring a terminal building with escalators that carry passengers to the plane-loading stations and a hotel for overnight visitors.

The Federal Government now is loosening its purse strings to speed up airport building. The Government gave communities 190 million dollars in the period 1947-53 for airport aid, then stopped the program.

In 1954, however, in response to demand, Congress appropriated 22 million dollars for a new federal airport-aid plan. Local areas promptly applied for nearly three times that much money, which they have to match dollar for dollar. A larger federal airport-building program is considered likely, especially if the Administration decides that business and employment need a lift from bigger public-works spending.

U.S. AIRPORTS LEAD THE WORLD IN TRAFFIC

14 American Cities Are Ahead of London, 18 Ahead of Paris

ARRIVALS AND DEPARTURES OF AIRLINE PLANES IN A YEAR*

New York (La Guardia, Idlewild, Newark airports)	364,051
Chicago	266,825
Los Angeles (including Burbank airport)	205,297
San Francisco (including Oakland airport)	200,198
Washington	164,121
Miami	110,515
Detroit	107,313
Cleveland	107,007
Dallas	103,365
Pittsburgh	99,698
Boston	95,877
Atlanta	95,204
Philadelphia	86,963
Kansas City	84,010
LONDON, England	82,276
St. Louis	79,991
Honolulu	66,014
Indianapolis	62,844
Louisville	61,884
PARIS, France	61,404
Jacksonville	59,788

*1953, Latest Available

Source: Air Transport Association © 1955, By U.S. News Pub. Corp.

As airports expand and air travel grows, the airlines are expecting to spend more and more money for new equipment.

The Air Transport Association, an airlines-industry group, estimates that the scheduled airlines spent 860 million dollars in the last 10 years for new planes and other equipment. ATA figures the airlines will have to spend from 1.5 to 2.8 billion in the next 10 years, to keep up with technical advances and the demands of the traveling public for air service.

Commercial airline orders, thus, will help more than ever before to take up some of the slack in the aircraft-manufacturing industry if further big defense cutbacks occur in that field.

Drop in profits. However, the airlines feel they have to solve knotty financial problems before they can go ahead with much long-range planning for big capital spending. In 1954 the airlines made about 81 million dollars in profits before taxes. That was the third year in a row that profits had dropped despite overflow business.

The airlines argue that, unless profits rise, they will be unable to attract investment needed to finance improvements. Federal subsidies are available mainly to make up operating losses. Subsidies now go to four out of the 13 leading domestic airlines. Nine of those airlines operate without any U. S. subsidy payment and have done so for several years.

For air travelers, if airline plans go through, the years just ahead are going to bring expanded service. In 1954, the scheduled airlines carried 30 million passengers a total of more than 16 billion miles inside the U. S., with 16 fatalities during the first 11 months of the year—a new safety record.

On the horizon are new turboprop and jet transports that will be quieter and faster. Weather-mapping radar, enabling planes to avoid bad weather, is expected to become standard equipment soon. Air schedules into small cities are being expanded gradually. Transcontinental flights in a space of eight hours already are available, and even faster travel will be the usual thing when the jets arrive.

There's no sign at this time that the air-travel industry has reached a stopping point, despite its growing pains and worries. Instead, the American public apparently has accepted air travel in a way that surprises even the optimists in this field.

Better planes, low "coach" fares, and increased safety of air operations played their part. The result is that some inland U. S. cities now exceed the world's most famous tourist centers in volume of air traffic.

OVERHAULING BOLIVIA

The People Get Land, Food, Schools—and Inflation

This is the story of a reform movement that is getting help from the U. S.

Big things are happening in Bolivia. Rulers are breaking up big estates, tossing the old way of life into the discard—and their opponents are likely as not to find themselves in jail, or forced to flee the country. The cry of "Communism" is being raised. Charges are made that a ruthless little band is ripening the place for Moscow's picking.

To find out what really is going on, Clark H. Galloway, Inter-American News Editor for *U. S. News & World Report*, went to Bolivia and obtained an on-the-spot report.

LA PAZ, Bolivia

A reform movement is sweeping through this landlocked republic deep in the heart of South America. It's a peaceful revolution that is bringing about some changes that reach deeper than those made by the recent pro-Communist Government in Guatemala. Peaceful now, it can burst into bloody fighting if armed opposition appears.

Opponent's view. Those opposing the Government say that its leaders are dedicated Communists. According to the opposition story:

- Private property is on the way out.
- Christianity is being persecuted.
- As many as 6,000 opponents of the revolution are in prison.
- The U.S. Government, by helping the existing regime, is feeding a Trojan horse. One day this regime will make Bolivia the center for Communist penetration of all Latin America.

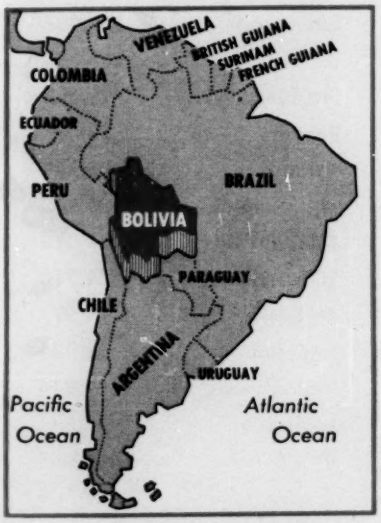
These charges, made by refugees and exiles, are receiving wide circulation in the United States. The real story of what is happening, as revealed by on-the-spot investigation, is this:

The reform movement is aimed at transforming Bolivia from a semifeudal country, dependent on tin, into a modern state, with socialistic overtones, that is able to feed itself. It's a movement that at times gets tough and that is treading on toes in pushing toward its goals.

The sweeping program is being carried out by a party called the National Revolutionary Movement, which seized power by revolution two and a half years ago. It has the backing of the workers, the peasants, many members of the middle class and a few wealthy people. Or you can put it another way. About 55 per cent of Bolivia's 4 million people are Indians, 35 per cent are of mixed blood and the rest are white. Virtually all of the Indians, most of the people of mixed blood and some of the whites are behind the reform movement.

Leaders of this movement are men in their 30s and early 40s, and many of them are university trained. They are intensely nationalistic; it's apparent that they do not intend to take orders from either Moscow or Washington. Most of them are dedicated to their task. As one Cabinet minister puts it: "We're working 18 hours a day, trying to do things that should have been done 50 years ago."

Land reform, one of the three main points in the program is getting top attention now, and it is one reason why the Government is called communistic. In this country twice as big as Spain, relatively few people have owned most of the land. Estates have ranged as high as 12 million acres. The Indian peasant often was a virtual serf. The land-reform law is changing this.



A SEMIFEUDAL NATION
. . . but it's going modern

Big estates are being broken up, and landlords who oppose the regime are among the first to be affected. Under the law, individual farms can range in size from 25 to 2,000 acres, depending on the quality of the land.

There has been trouble under the land law. Sometimes peasants have seized property illegally. There have been clashes between peasants and landlords, and between groups of peasants. Under peasant ownership, crop production sometimes has declined.

Landowners are dissatisfied at getting only the assessed valuation as the price of their property. They object to accepting 25-year bonds in payment. With the country's money losing its value, there is a question as to what the bonds will be worth in a few years. Many landowners denounce the law as communistic.

A Government view. You get another slant after you push through waiting peasants and climb to the top floor of the shabby building where Dr. Nuflo Chávez, Minister of Rural Affairs, has his office. Dr. Chávez, an energetic man in his 30s, has charge of land reform.

"Before we drew up this law," he says, "we made a careful study, with the help of United Nations experts, because we wanted to avoid the mistakes that had been made in Mexico and Guatemala.

"In Mexico, peasants were given communal use of land, but not title to it. In Guatemala, the Government became the landlord. Under our law, the peasant becomes the owner, except where groups of Indians prefer communal ownership.

"Yes, some people say I'm a Communist. But I'm not a Communist; I'm a Bolivian."

Economic independence is another goal of the Government. Since colonial days, Bolivia has depended on mining for a living. First the big export was silver. Now it is tin. This tin is vital to the U. S. in times like World War II, when Far Eastern sources are cut off. It's vital to Bolivia at all times.

A big share of the proceeds from mineral exports is spent on food imports —wheat and flour, sugar, fats and oils, rice, dairy products and meat. Although Bolivia has much good land, the country doesn't feed itself. The fertile eastern third of the country is scarcely touched, for 21,000-foot mountains have isolated it from the rest of the country. Now a 300-mile highway has been built to link the populated, central part of the country with Santa Cruz, the biggest town in the eastern area.

With the new road open, development of the East is getting started. The town of Santa Cruz is booming. Nearby, French technicians are building a sugar mill for the Government. American contractors are pushing a road into the interior. Settlers from the bleak highlands are beginning to take up land under the agrarian law.

If this eastern development and other agricultural plans live up to expectations, Bolivia will be nearly self-sufficient in food in three to five years.

Import becomes export. Oil, as well as food production, is something the Government is banking on to help pull the country out of the hole. Until recently, the country had to import much of its oil. Now production and refining have been pushed to the point where Bolivia is meeting its own needs and is beginning to export.

An American operator, working under a lease from the Government oil monopoly, has brought in a producing field. A big American company is negotiating for a lease. Plans have been drawn up for pipelines to carry oil products from the refineries to the population centers on the high plateau and to convey crude oil to Chile. Construction of a pipeline to Argentina is under way. Brazil is in the market for Bolivian petroleum. Oil promises to become an important export.

Third big point in the revolutionary program centers around tin. Within six months after taking office, two and a half years ago, the Government seized the large tin mines owned by the Patiño, Hochschild and Aramayo interests. One theory back of this move was that, if the big mines were owned by the Government, the profits would be kept in Bolivia and used for national development.

The tin scheme isn't working out, however, for there are no profits. World prices have fallen, and wage increases have raised the cost of production. Instead of making a profit, the Government is losing money on every pound of tin that it exports.

—Black Star

PRESIDENT PAZ ESTENSSORO GREETS COUNTRYMEN
In five years, Bolivia hopes to be over the hump

The Government feels that closing the mines and throwing thousands of men out of work would invite disaster. President Víctor Paz Estenssoro has a plan to move about 10 per cent of the miners to Santa Cruz and make farmers of them. The Government would like to install a smelter. That would cut marketing costs by making it possible to export pure tin instead of concentrates. It also would make Bolivia independent of the U. S. Government smelter at Texas City, Tex., which is scheduled to close next June.

Meanwhile, the Government is financing its losses on tin by issuing paper money. In four months the amount of money in circulation increased by one third. Where one U. S. dollar was worth 600 bolivianos 20 months ago, today it brings more than 1,800.

Inflation's effect. The Government has scraped the bottom of its dollar barrel. Merchants cannot get exchange with which to import goods. Here in La Paz, Bolivia's principal city, you see shop after shop with shelves and show windows nearly bare. Taxis and private automobiles are going out of service for lack of spare parts. Inflation is running wild, except in the case of foodstuffs.

The Government buys imported food on competitive bids and lets contracts for wholesale distribution on competitive bids. It fixes retail ceilings at which food is sold. Thus, food prices are comparatively reasonable. Besides, food imports have been increased.

In spite of inflation and shortages, the general opinion is that the average Bolivian is better off now than ever before. Social-security laws are being extended. Where formerly only about 100,000 people had the vote, today there is universal suffrage. An attempt is being made to give everyone a living wage.

Funds for education, which in the past sometimes dropped below 5 per cent of the national budget, now are up to about 50 per cent. That means more money to use in tackling the problem of 80 per cent illiteracy.

Labor now gets sympathetic treatment in the courts. Juan Lechín, head of the labor-union federation and, next to the President, the most powerful man in this country, is supporting the Administration. As things stand, the Government looks stable, and it intends to stay that way, at least until the 1956 elections.

If anybody starts a rebellion, the workers' and peasants' militia is ready to act. Armed with rifles and machine guns and partly trained, this force of perhaps 50,000 men was created by the present Administration to forestall a revolution or a coup by the Army.

How many prisoners? People who plot against the Government, or who are

—Foto Thorlichen

OX-DRAWN PLOW IS USED BY PEASANTS
. . . the country can't yet feed itself

suspected of plotting against it, sometimes are sent into exile. There are hundreds of exiles and refugees in Peru, Chile and Argentina. Some opponents of the regime are in prison. Exiles give various estimates of the number of political prisoners, with some figures running up to 6,000.

The President recently said there were 538 political prisoners. Since then, he has granted Christmas amnesty to 306 of them. He sometimes lets visiting correspondents go into the prisons and talk privately with political prisoners.

The visitor to the prison here in La Paz sees that the political inmates are living better than the common criminals. In private conversations, they say that they don't know of any case where a political prisoner has been seriously mistreated. All would like to be released, but they accept the fact that exile and imprisonment for dangerous political opponents are customary in Bolivia. Dr. Paz Estenssoro himself was in exile twice before he became President.

The visitor who checks into reports of religious persecution finds that Roman Catholicism is continuing to be observed as the state religion and that Protestant churches are operating freely. The President and all members of the Cabinet are Catholics, and they attend Mass together on state occasions. The revolutionary Administration has made a 50 per cent increase in the appropriation for support of the Catholic Church.

"The only real trouble we have had about religion," one member of the Cabinet said, "has been with priests who insisted on mixing into politics. Spanish priests are the worst offenders. That is why we have refused permission for eight Spanish Jesuits to come into Bolivia."

When it comes to private property, the President says there will be no more nationalization. Although the labor-union federation recently agitated for nationalization of railways and of the electric company, the President is holding out against it. He says Bolivia wants private capital to invest in oil, manufacturing, food packing and other lines to help build up the country.

From America: food. Meanwhile, the Government is relying heavily on the U. S. to help Bolivia out until the country can stand on its own feet. This help was recommended by Dr. Milton Eisenhower, brother of President Eisenhower, after a study of the situation here. During the year ended last June 30, the U. S. Government gave 14 million dollars' worth of aid, mostly surplus food. About the same amount is being given this fiscal year.

Over the next five years, the Government would like to have 50 to 60 million dollars of U. S. aid—food, grants and loans. It figures that, by that time, unless the tin market goes completely to pieces, Bolivia will be over the hump. Meanwhile, U. S. technical co-operation is eagerly received in education, agriculture, public health and civil aviation.

This U. S. help is making Bolivians friendly and building up resistance to Communism. There are two Communist groups, one Stalinist and one Trotskyite, with a total strength of probably 3,500. Both are boring into the labor movement and working guardedly against the Administration. They are hoping that the Government will fall, so that they can take over.

The present regime is far from perfect, in the eyes of U. S. officials here. At some levels there is extensive graft. The Government's program is a little too socialistic to suit some Americans. However, there is a strong belief that the Government, although revolutionary, is not communistic, and that it is trying to do what it considers best for Bolivia.

Fall of the present Government, it is believed, probably would bring on chaos, or worse. The Government seems secure now. It remains to be seen whether the National Revolutionary Movement can put Bolivia on its feet before time runs out.

—Foto Thorlichen

TIN MINERS WORK FOR THE GOVERNMENT
. . . in an industry that makes no profit

You don't have to die to win...

Amazing how much life there is in a good life insurance policy. When Dr. Paul Garrick's car went off a cliff in Hawaii, he thought his new life insurance was about to pay off. The doctor had taken the policy out just three weeks earlier, and for an interesting reason. He had pledged most of his life savings to help his son start a business. By taking out new life insurance, he had "hedged" this loan. Fortunately, Dr. Garrick wasn't seriously injured in the accident; his new life insurance, besides protecting his family, continues to serve its living purpose of helping launch his son's business career.

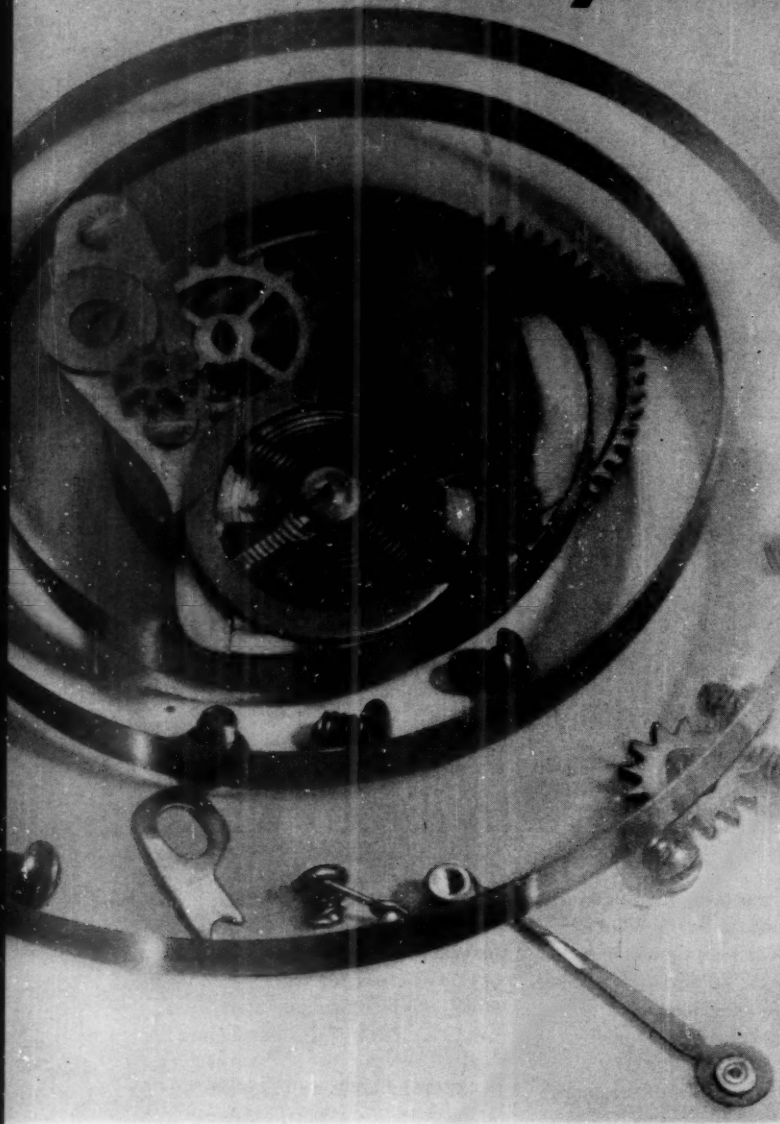
Everybody knows that life insurance can't be beat for *protection;* it creates an immediate estate for yourself and your family. But life insurance is for *living*, too. With it, you can acquire the financial security that lets you cash in on opportunities as well as meet emergencies. Your Northwestern National Life agent will be glad to show you how a modern, flexible life insurance plan can help you get more out of life. Ask him, for example, about our Plan "W" and Triple E policies.

An actual case from our files; only the name is changed.
Copr., 1954, Northwestern National Life Insurance Co.

Northwestern National Life of Minneapolis

Life Insurance is for Living!

The Hard Way to Buy a Refinery



Buying a petroleum refinery in "pieces" from different sources, each with its own design standards and materials specifications, is somewhat like buying a watch the same way. An expert can put the units together and make them work. But it's a lot simpler, and usually more economical, to buy the complete "package"—assembled and already running when you get it.

When planning a new refinery, or modernizing an existing one, there are many economic reasons why it pays to have a single contractor responsible for integration of the entire project. These include centralized purchasing power; shorter and flexible construction schedules; uniformity of design factors in process equipment; and the elimination of duplicate construction managers and their staffs.

The M. W. Kellogg Company, world's leading designer and builder of petroleum refineries, offers a complete "packaged-plant" contract to the petroleum and petro-chemical industries. It covers process engineering; plant design and construction of the entire job, including off-site installations such as tanks, loading facilities, docks, roads; supervision until on stream; and a production guarantee. We welcome the opportunity to discuss with you the many advantages of The M. W. Kellogg "packaged-plant" contract.

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Worldgram

FROM THE CAPITALS OF THE WORLD

PARIS....LONDON....WASHINGTON....BELGRADE....GUATEMALA CITY....

>> U.S. and British leaders are coming reluctantly to the conclusion that they can't count on France. Voting in the French Assembly has made this clear.

In crisis, a showdown, U.S. and Britain cannot now be sure whether France will stand with them, join the Russians or side-step into neutrality.

In a shooting war, no one knows whether France will fight or surrender. The France of 1914 fought. The France of 1940 surrendered. Next time?

Intense Soviet pressure, it's feared, could paralyze the French Assembly at the very moment French troops, bases, supply lines were needed most. Or the shift of a few votes in the Assembly could leave U.S. forces in France stranded.

Moscow has not yet put real pressure on France. Sooner or later, it will.

The Allies have hoped that France would stand up against such pressure. In public, Allied spokesmen continue to speak hopefully. Actually, they are no longer at all sure of France. Not after a look at the French Assembly.

>> Premier Mendès-France himself, before the voting on rearming West Germany, warned the French Assembly that it--and France--were on the spot.

After four years of stalling, France had to say yes or no.

A big majority for German rearmament, Mendès-France said, was indispensable to prove French unity, prove to the Allies that France could be relied on.

A piddling majority for German rearmament would be no better than a vote against it. It would tell all the world--Soviet Russia as well as the Allies--that France was sharply, dangerously divided; vulnerable, unwilling to act.

A majority of the 627 members of the Assembly, not just a majority of those willing to vote, was essential. The goal was a yes vote of 350 or more.

What Mendès-France got showed France as dangerously divided as ever.

>> In Paris, when you look around for an explanation as to why the Assembly behaves as it does, why France's value as an ally is in question.....

The French, you find, always have had trouble governing themselves.

They change constitutions frequently. They've had 14 constitutions since the 1789 Revolution. The new constitution, adopted in 1946, is under fire.

New-model constitutions seems to provide less, not more, stability. The one that lasted longest--from 1875 to 1940--saw 93 different governments come and go, or 1.4 governments per year. Turnover rate, under the current constitution, is even higher. It has speeded up, since 1950, to 2.5 governments a year.

>> When France's allies ask whose word counts in Paris, who has power.....

It's not the President. He is mainly a figurehead.

The Premier stays in at the whim of the Assembly. Few Premiers stay long.

(over)

The Assembly has the real power. But even its power is divided and easily paralyzed by division of the deputies into 13 political parties. Of these, only the Communist Party is disciplined. It can always be counted on--by Moscow. No one is ever sure how members of the 12 other parties will vote, if they vote.

The people, at the polls, choose between parties, but not actually between individual candidates. The party bosses handle that chore for them.

Voice of France, under this system, is unsure. The Premier can't be certain he speaks for France. The Assembly usually tries to duck responsibility.

The Allies are thus at the mercy of a French Assembly which rarely acts, but which up to now has kept France's allies from acting to rearm the Germans.

>> In Belgrade, a Communist purge raises the question of just how safe the U.S. investment of arms, wheat and dollars in Yugoslavia really is.

Purge is aiming rather high. Communist Party officials, having forced out Yugoslavia's vice president a year ago, are now after Marshal Tito's friend and official biographer. The Army chief of staff may be on the list, too.

Official explanation is that purgees are unorthodox Communists, balking at party discipline. But these balky Communists are also bitterly criticized for being friendly with the West. Pro-Westernism may be the real crime.

Question: Is Yugoslavia getting ready to move back into Moscow's arms?

>> Tito has made no secret of his approval of "peaceful coexistence." He not only says he favors it, but he has journeyed to Asia to help spread the gospel. To this extent, he is playing Russia's game, not the West's. In addition.....

Soviet-Yugoslav ties are being re-established--"normalized," Tito says.

Friendship with Red China is unveiled as another plank in the program.

German rearmament, on the other hand, is denounced in Belgrade.

>> When you examine the other side of the ledger.....

U.S. arms aid is flowing freely into Communist Yugoslavia.

U.S. wheat is being rushed to Belgrade to offset effects of drought.

In total, U.S. economic aid this year will approach 100 million dollars.

Yugoslavia has come to be regarded by U.S. as a military ally in fact if not in name. Tito stays clear of NATO, the North Atlantic Treaty Organization, but it has been taken for granted he'll side with NATO against Russia. Also, his military pact with Greece and Turkey is vital in Allied defense strategy.

>> Ever since Tito broke with Stalin and Moscow in 1948, Western diplomats have figured Tito wanted permanent independence. But now Stalin is dead, and his successors are talking a language that Tito likes to hear.

With Russia wooing him, with Communist gains in Asia impressing him, Tito may be tempted to get down off the fence. It's something to keep an eye on.

>> In Guatemala, where an anti-Communist Government has been struggling to get the country back on its feet.....Aid from U.S. has finally begun to arrive, after a wait of six months. A new deal with the United Fruit Company, assuring Guatemala a bigger tax income, has also been negotiated.

It's not any too soon. Guatemala's economy has slid into low gear. Critics are beginning to go after President Castillo Armas. Communists are resuming activities on a small scale. Guatemala problem can't be shelved just yet.

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Interview with DR. FREDRICK J. STARE

Chairman, Department of Nutrition, Harvard University

OVER-EATING SHORTENS LIFE

Is it dangerous to be fat? Does obesity actually shorten one's life? If so, why?

What causes some people to get fat?

How can a person avoid gaining too much weight—or reduce safely if he does?

To get the answers to such questions, a member of the Board of Editors of *U. S. News & World Report* interviewed Dr. Fredrick J. Stare, a recognized authority in the field of nutrition. Dr. Stare is chairman of the Department of Nutrition in Harvard University's School of Public Health.

Another interview, beginning on page 58, presents views on obesity by a top physician in Great Britain, Dr. Hugh M. Sinclair, who has suggested a special tax on people who are overweight.

Following is the interview with Dr. Stare.

Q *Is the evidence conclusive that overweight shortens life, Dr. Stare?*

A Oh, I don't think there is any doubt of that fact. I think if you go to any life insurance company in the United States, you will find out that fat people pay higher premiums and the life insurance companies pay out more money for individuals who have been fat and have died at an earlier age than they might otherwise have expected.

Q *What is it about overweight that does affect length of life?*

A If you are carrying around 20, 30, 40 or even 50 pounds of extra weight, whether it's fat or a load of cement, you are putting more work on your heart; your joints have to bear more weight. That is one aspect. But I think in the past few years, particularly in the last two or three years, there has been some interesting evidence coming out which points out that perhaps the biggest hazard is not being overweight but getting overweight—the process of growing fat is more dangerous than being fat.

Q *Why is that?*

A In this process of becoming overweight, of growing fat—that is probably the time when damage is done to the blood vessels, particularly the blood vessels of the heart.

Q *Just how much does being overweight shorten a person's life, on the average?*

A Over-all mortality rates for men markedly overweight are increased, according to the Metropolitan Life Insurance Company, by 79 per cent; for women, by 61 per cent.

Q *Well, if you were 50 years old and overweight, what would your life expectancy be compared to what it would be if you were not overweight?*

A A 50-year-old male in apparent good health has a life expectancy of approximately 20 more years. If this male is obese, his chances of living for these 20 years may be reduced by one third.

Q *How about the life expectancy of a younger person if he gets fat?*

A For adults, the life insurance data all show that obesity obtained in young adulthood—and maintained—carries a far greater risk. For example, an obese adult male in the age range 20-29 has an 80 per cent higher mortality rate than the nonobese male of the same age group.

Q *What would the situation be for, say, a 60-year-old?*

A A person who has lived to 60 years has a good chance of living about 15 more years. Obesity would reduce these chances—just how much depends on the degree of obesity—but less so than for a younger person.

Q *How many years could a person add to his life if he were, say, 30 pounds overweight and he took off those extra pounds?*

A That question cannot be answered in actual years. According to the Metropolitan Life Insurance statisticians, the mortality of persons rated overweight and then reduced in weight shows a lower mortality rate than expected of the overweight group.

Q *Is there any rule of thumb about how many months or years of life you cut off for every extra pound of weight you carry?*

A No, because of too many other things which affect life expectancy.

Q *You said that getting fat is more dangerous than being fat. How does this show up?*

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Fat Persons Appear to Be Older . . . The Major Cause Of Obesity: Too Much Food . . . How Exercise Can Help

A Largely from experimental studies that are too technical to discuss here.

In the last few years there have been a number of reports coming from the Army and pointing out that autopsies done on young Americans dying of traumatic injuries—boys 19, 20, 21 years of age—show quite a high prevalence of atherosclerosis. You ordinarily think of atherosclerosis in men 40, 50, 60 years of age. Yet here are boys of 20 years of age with it.

Q *What is atherosclerosis?*

A Atherosclerosis is a type of hardening of the arteries. It is the type which is involved in coronary heart disease—the principal cause of death in male American adults.

—Black Star

DR. FREDRICK STARE

Q *Does that mean that walls of the arteries themselves get hard?*

A No, the wall of the artery doesn't get hard, but the wall of the artery becomes infiltrated with fatty materials, and particularly right at the opening of the main blood vessels at each side of the heart. The blood vessel becomes clogged, which means that part of the heart doesn't get enough blood. The person has a heart attack—may die.

Q *If the process of getting to be overweight is the most hazardous time, does that mean there is no hope for a person who is already overweight?*

A No, not at all, because it has also been shown in recent years that the individual who is overweight will definitely increase his life span if he loses weight. There also is some evidence that suggests that, if these deposits of fat in the blood have not gone beyond a certain stage, one can make them regress and disappear.

Q *How can a person know when the danger time is?*

A We can tell if you are overweight, but we cannot tell if you have any lesions in your blood vessels that are minimizing or slowing down the supply of blood to the heart.

Q *What you are saying, then, is that if you are overweight—*

A If you are overweight, it is pretty important that you get your weight down in a hurry—

Q *And if you are not overweight—*

A It's doubly important that you keep your weight down.

Q *Which is worse, to put on five pounds in a month or to put on five pounds in a year if those five pounds are going to make you overweight?*

A If you must put the pounds on it would be much better to put them on over a year, but of course the best thing is not to put them on.

Q *Wouldn't the result be the same—you're overweight five pounds?*

A No, the end result would not necessarily be the same because it is the sudden periods of weight gain that may be more damaging, rather than a long, slow gain.

Q *Why are they so much more damaging?*

A Suppose an adult gains 20 pounds of weight in the course of six months, which would be a rapid weight gain. During this time that he is gaining weight, he is more apt to be depositing these fatty materials on the inside of his blood vessels than if he is already overweight and just going along at the same weight. We refer to that as "active" and "static" obesity. Active obesity is when you are actively becoming obese; static obesity is when you are already obese and are just holding your own. The active obesity we think is a far more dangerous period than the static obesity.

The average person actually begins to get fat in his 30s and early 40s. When you are an adolescent, you are apt to be very active physically. When you go to college, you are also active physically. During these times, you develop food habits that keep up with your energy needs. But then the ordinary person gets a job, gets married, settles down, spends more time reading in the evening with his feet up on a stool; he is no longer as active. But he keeps the food habits he developed when he was younger. The result is that he starts putting on weight, and one of the things about obesity that makes it difficult to treat is the fact that it is a gradual process.

You don't become obese in the period between Christmas and New Year's; you become obese over a period of years. Also, you become obese under pleasant circumstances, enjoying your eating and

(Continued on next page)

. . . "There is no 'easy' way to control weight"

drinking, so that over the course of 5, 6, 7 years you have picked up 20 pounds. It's a gradual thing—it usually isn't sudden.

Q *Are businessmen more inclined to become overweight than other types of people?*

A I don't think that they are, particularly not today. It might have been so 20 years ago, but many so-called laboring men today do not do any more physical work than businessmen because of the many mechanical gadgets to save "laboring."

Q *Is there any easy way to control your weight?*

A I don't think that we could say that there really is an "easy" way. For most people who either have a tendency to become overweight or are overweight it is really a lifetime job to watch their weight. There are some simple things that one can do. The main thing is, however, that you've got to make up your mind—something has to motivate you so that you as an individual decide "I want to *get* my weight down" or "I want to *keep* my weight down." But if you once make up your mind that you want to do that, then there are a number of things that are helpful.

Q *Is the appetite the controlling factor?*

A We think it is. Certainly the principal reason that you and I eat is that we are hungry.

Q *Well, what makes you hungry?*

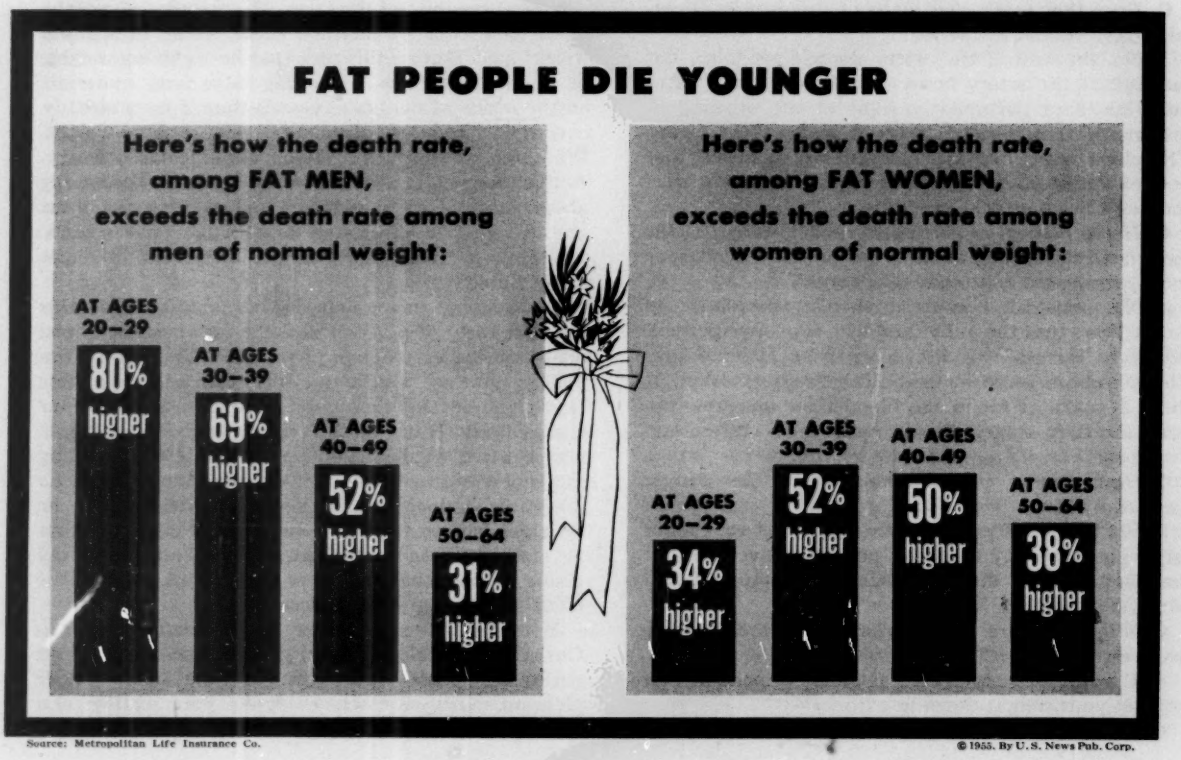
A That is something that a lot of people have been studying, including our Department of Nutrition here at Harvard. We think that one of the important factors that makes an individual hungry is the level of blood sugar throughout the day. If your blood sugar is below a certain point, you become hungry; if it is elevated, you are not hungry.

Q *What do you mean by blood sugar? Does it come from candy and other sugar you eat?*

A Yes, but not necessarily candy or other sugar. Sugar and candy do raise your blood sugar, but so do thousands of other foods. Most foods raise your blood sugar—

Q *Can you eat a piece of candy, then, and control your appetite?*

A Yes, to a certain extent. Of course, that is a common finding in the practice of pediatrics. There are thousands of mothers who complain of the fact that their child has such a poor appetite, that he doesn't eat a good dinner at night. The pediatrician frequently finds that the child has had a candy bar or a couple pieces of candy along around 5 o'clock in the afternoon, which dulls his appetite. Why? Because the candy elevated his blood-sugar level and shut off his appestat and so he is not hungry.


FAT PEOPLE DIE YOUNGER
Here's how the death rate, among FAT MEN, exceeds the death rate among men of normal weight:
AT AGES 20–29
80% higher
AT AGES 30–39
69% higher
AT AGES 40–49
52% higher
AT AGES 50–64
31% higher
Here's how the death rate, among FAT WOMEN, exceeds the death rate among women of normal weight:
AT AGES 20–29
34% higher
AT AGES 30–39
52% higher
AT AGES 40–49
50% higher
AT AGES 50–64
38% higher

Source: Metropolitan Life Insurance Co.

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. . . How to reduce: "Nibble a short time before a meal"

With a fat person you want to dull the appetite, and so you ask the fat person to nibble a short time before a meal. It doesn't have to be candy; it could be a cookie, a cracker, a piece of cheese or a half glass of milk—anything that will cause a little elevation in blood sugar, and preferably something that will provide a prolongation of this rise of blood sugar and make a good contribution to the over-all nutrition of the body.

Q *What about drugs?*

A There are two or three drugs that are very useful in treating certain types of obesity, but they are prescription drugs and should be used only on advice of a physician. As far as we know, they do not function through the mechanism of raising the blood sugar. We don't know how they function, but they do depress your appetite, presumably through the hypothalamus.

Q *What about these things you see advertised as curbing your appetite—*

A Those are not drugs. They are generally mixtures of milk powder, sugars and flavoring—a type of expensive candy.

Q *Are they effective?*

A They are to the extent they elevate and prolong the elevation of your blood sugar. But you can get just the same effect for much less money with a piece of any kind of hard candy, a cracker or a piece of cheese.

Q *How can you tell what is a desirable weight for yourself? Most of the charts will give the height and weight, but individuals have different builds—*

A If you want to be very accurate about it, it is a subject of current investigation. On a practical, realistic basis today, the term "desirable weight" is one that was given to us by the life insurance companies and is very carefully defined. It is that weight at which you will live the longest.

Q *But how can you know what that weight is?*

A The way we know is from the data of the life insurance companies from analyses of hundreds of thousands of their records. If you are 5 feet 9 inches tall, they can tell you that the desirable weight of all males 5 feet 9 inches tall who are over 25 years of age is such-and-such. This weight is usually given within a range of 10 pounds. The life insurance companies have simply found out that individuals of a given sex and a specific height will live longer if they maintain throughout adulthood the average weight for all individuals of that sex and height at age 25, and that is called desirable weight.

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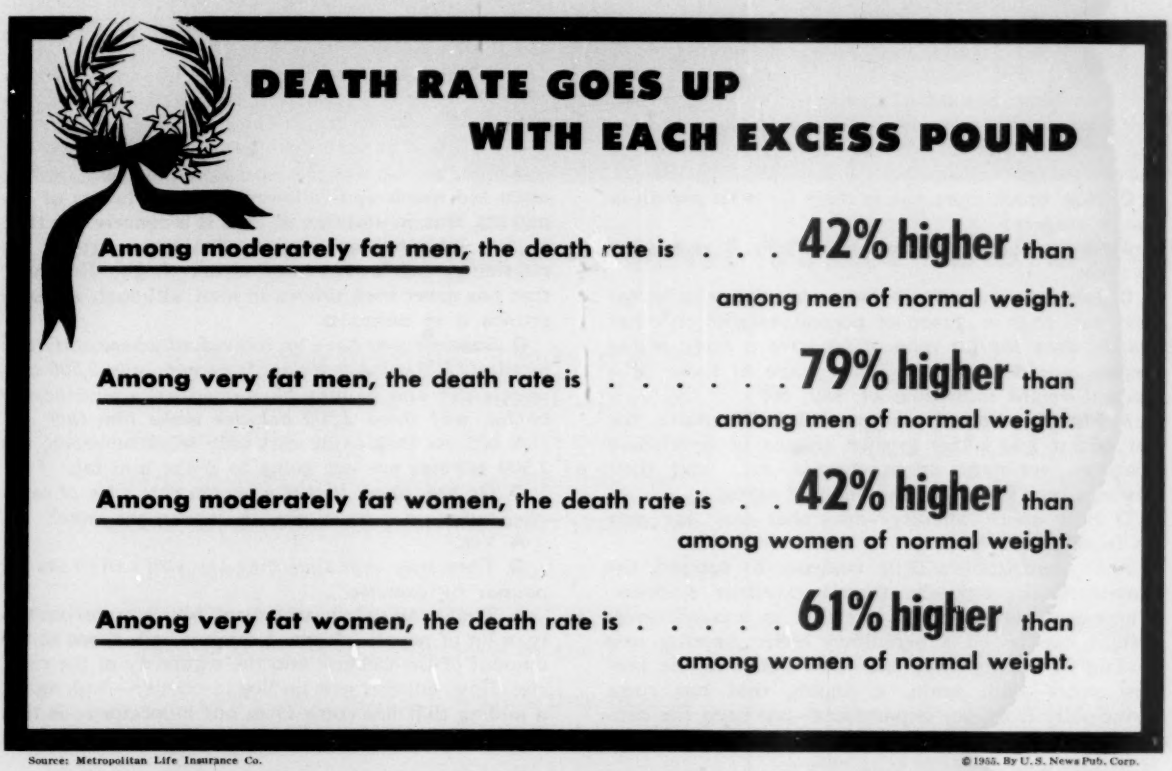
DEATH RATE GOES UP
WITH EACH EXCESS POUND
Among moderately fat men, the death rate is . . . 42% higher than among men of normal weight.
Among very fat men, the death rate is . . . . . 79% higher than among men of normal weight.
Among moderately fat women, the death rate is . . 42% higher than among women of normal weight.
Among very fat women, the death rate is . . . . . 61% higher than among women of normal weight.

Source: Metropolitan Life Insurance Co.

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. . . "Frustrated individuals get relief from eating a lot"

Q *Would you consider obesity a disease?*

A It certainly is. It is interesting how obesity and alcoholism have strong similarities. Individuals who are particularly frustrated with a variety of situations in life get relief from eating a lot, just as they find relief in drinking a lot. It takes them out of the world as it actually is, away from realism—like looking at the world through rose-colored glasses, though with either they probably will have less time to look.

Q *If you are obese, are you more subject to other diseases, such as cancer?*

A I wouldn't say so much with regard to cancer, even though there are studies with animals which show that experimentally cancer is more prevalent in obese animals than in nonobese animals. But, again, it's been well established by the life insurance companies, as well as common clinical experience, that the overweight individual is more susceptible to many different diseases, for example, diabetes, high blood pressure, coronary heart disease, arthritis, gall bladder disease, and risk in major surgery.

RISKS OF FAT PERSONS—

Q *Compared with an individual of normal weight, how much greater are an obese person's chances of getting these diseases.*

A For high blood pressure, the chances are three to four times greater, depending on the degree of overweight. For coronary heart disease, it's 2 to 3 times as great. For diabetes, 4 to 5 times. I don't recall approximate figures for gall bladder and arthritis, but the prevalence of both are definitely increased in the overweight person.

Q *How much more risk is there for a fat person in major surgery?*

A Depending on the type of surgery, 2 to 4 times as great.

Q *Is a fat person likely to be older, physically, for his years than a person of normal weight? In other words, does the fat man of 50 have a body whose organs would be in the same shape as those of a normal-weight individual of, say, 60?*

A Many fat people appear older. Of course, the fat person has a far greater chance of developing diabetes, coronary atherosclerosis, etc., and their diseases tend to hasten the onset of aging.

Q *How about heredity—does that play any part in being overweight?*

A In man, there's little evidence to support the statement; in animals, there's excellent evidence. There isn't any question but that in animals overweight can be on a hereditary basis. Another new finding in obesity that has come about in the past few years—and, again, a finding that has come principally from our department—has been the definite proof that animals can become obese from a variety of totally unrelated causes. The end result is the same—the animals are overweight, they are obese. But the mechanisms by which they became overweight are completely different.

I think also, to make it perfectly clear, I should say that in all of these types of experimental obesity the animal becomes obese because he eats too much food in relation to his activity.

WHAT CAUSES FATNESS—

Q *Does it mean, then, that the only thing that makes a person overweight is that he eats too much?*

A Yes, it boils down simply to the fact that the only reason anybody becomes overweight is that they eat too much in relation to their physical activity. But what I am trying to say is that the fundamental mechanism as to why they eat too much may be different.

Q *If an individual is in a family where his parents and grandparents were overweight, will he automatically become overweight?*

A I don't think we could say that he would "automatically" become overweight, but there certainly would be a far greater tendency for him to develop—as an infant and a child—poor food habits involving gluttony. If everybody in the household eats like a glutton, he is likely to get in the habit of eating like that, too.

Q *Well, might heredity have a little something to do with it, or is it just that the child develops the same food habits as his parents?*

A I think it is very definitely the latter—if he becomes obese, he will become obese because he has eaten too much and followed the food habits of his parents. But, in addition to that, it is conceivable that he has inherited some type of abnormality in his physiology that would result in overweight. However, that has never been proven in man, although we have proven it in animals.

Q *Suppose you have an individual whose activities require 2,500 calories a day. If he eats only 2,500 calories a day and he may have inherited a tendency to be fat, will those 2,500 calories make him fat?*

A No. As long as he eats only what he needs, the 2,500 calories are not going to make him fat.

Q *Do you mean that if a person gets a lot of exercise, burns up a lot of energy, he can eat more?*

A Yes.

Q *Then why is it that they say you can't take off pounds by exercise?*

A That is an untrue statement, which, unfortunately, a lot of people believe. I think it boils down to the amount of the exercise and the regularity of the exercise. Now, another new finding in obesity—and, again, a finding that has come from our laboratory—is that

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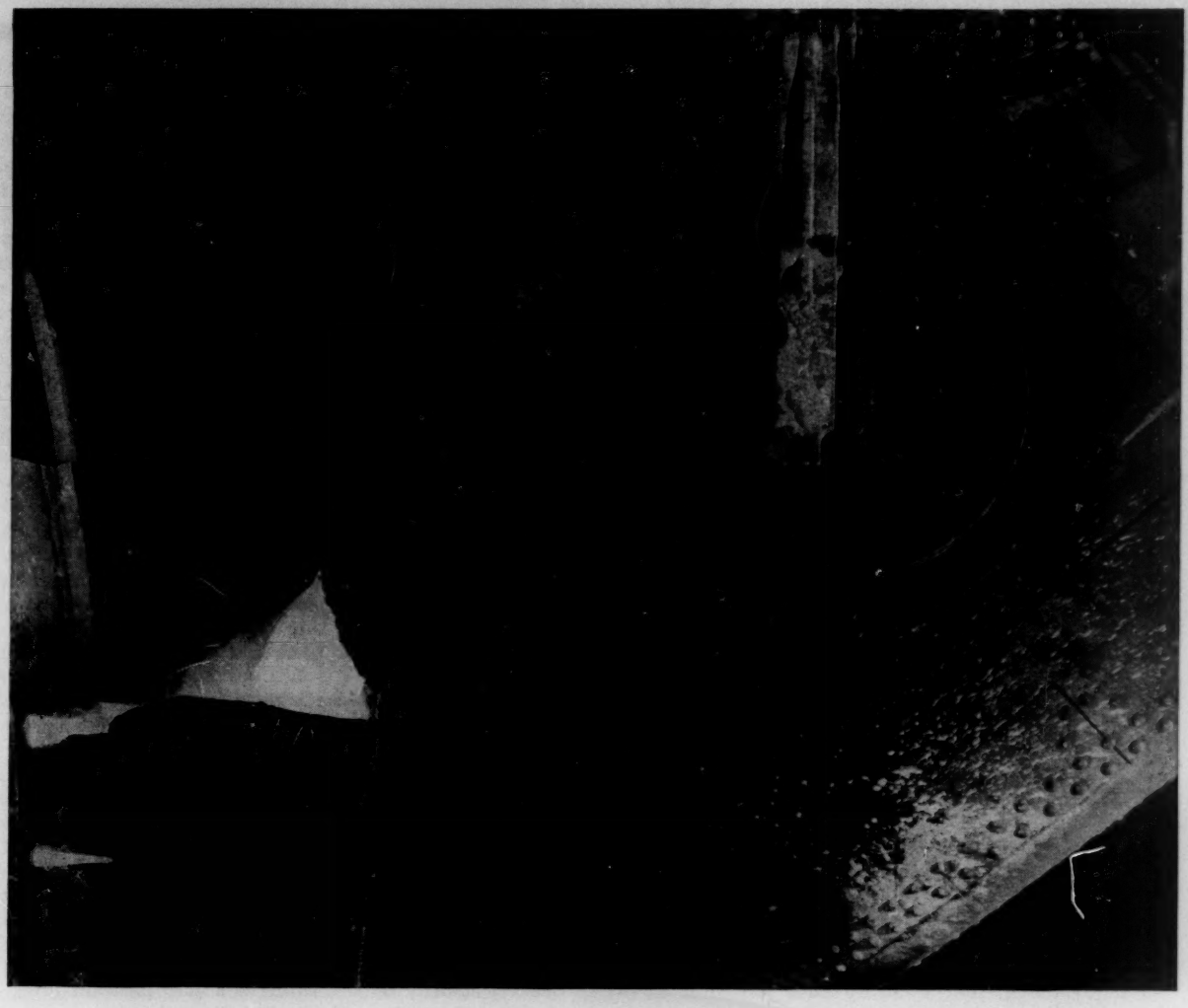

You Can't Make Steel With Matches

If industry is to expand, if industry is to progress, it must have a continual supply of investment dollars. Industry will always need new capital to meet ever-growing demands for *more* products, for *different* products, for *better* products.

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. . . "I think it is important to have a large breakfast"

you can exercise experimental animals up to a point without increasing their appetite. When you exercise them more than that, then they become hungry.

In trying to apply that to man, you get this sort of example: If we go someplace on a holiday week end and play a lot of golf a couple of days in a row, we are going to eat a lot more on Sunday and Monday. On the other hand, if we would play three or four holes of golf, which is really not much exercise but is still a lot more than most of us probably get regularly, that will help work off some fat and use up some energy and yet would not be enough to stimulate our appetite.

One might also say that if we could get into the habit of parking our car—those of us who drive to work—four or five blocks from our office so that we would have to walk four or five blocks twice a day, which we otherwise wouldn't do, that would use up calories without increasing our appetite. Consistency of exercise is also important. The trouble with the holiday week end of golf I mentioned is that we probably won't do that again until the next holiday week end, and that's not enough. But if you can do a little exercise frequently, that is a very helpful thing.

HOW TO CONTROL WEIGHT—

Q *How do you keep your own weight down, Dr. Stare?*

A I am perfectly sure that the easiest thing in the world for me to do would be to put on 10 pounds, because I enjoy food and I like to eat. But I am aware of the fact that I can readily put on weight, and I would say that I keep my weight down by doing these things. One is that I have so much work to do, which I enjoy doing, that I hardly have any time to eat lunch, and my lunch is apt to be a very small meal or no meal at all.

Secondly, I purposely see to it that I get small servings on my plate. The third thing is that I don't ask for seconds, and the fourth thing is that if I am at a party where they have cocktails, I prefer the cocktails to the dessert. I think that is a very practical rule that many people could follow—that is, take your choice between cocktails or dessert, for you will find that the two or three cocktails you may have before dinner will provide about the same amount of calories as an average dessert. And, of course, if the vegetables are overcooked you are less likely to know it if you have had three cocktails. Also, I think from a dietary viewpoint it is important to have a large breakfast.

Q *Why is that?*

A The reason is that, when you wake up in the morning, your blood sugar is at a low level and you are hungry. If you have a good, big breakfast, you elevate your blood sugar so that you are not hungry. You tend to maintain that elevation of blood sugar for a long period throughout the day, whereas if you have a very poor breakfast—nothing but a couple of cups of coffee and a doughnut—your blood sugar goes up temporarily. But inside of an hour or so it is down to a level where you are hungry, and the average person will become so hungry by 10 or 11 o'clock that he goes out to have more to eat. Usually, again, it is the type of food that will give a prompt rise in blood sugar and then a prompt fall, and so you are hungry again by lunch.

The point is that if you have a good, big breakfast, it makes it much easier to go with less food throughout the rest of the day. That is the reason we started talking about what we called "scientific nibbles." In the past, we, and many others, have been telling overweight people to cut out eating between meals. Well, we have found from our own experience and from our animal studies that it is a desirable thing for the overweight person to have a small bite of food in the middle of the morning and in the middle of the afternoon—providing that bite, that nibble, is something they ordinarily would have had to eat at lunch or at supper.

In other words, have a glass of milk at 11 o'clock rather than at noontime. The point is to try to keep the blood sugar elevated throughout the day so that you will be less hungry. We think that, by eating a big breakfast and four or five small meals, it is an easier job to get through the 24 hours with less calories than eating the conventional three meals a day.

We think a good breakfast is one high in protein. That can either be ham and eggs or cereals and milk.

Q *Why is it that a lot of people, once they have lost weight, always gain it back?*

A They just aren't sufficiently motivated and start eating again. You see, eating is a very pleasant thing and most people really don't believe that being overweight is dangerous. It is not until you have had a coronary heart attack—or until one of your best friends drops over dead—that you begin to realize: "Gosh, maybe there is something to this weight business."

IS DESK WORK FATTENING?—

Q *Does mental exercise burn up as much as physical exercise?*

A No. I wish it did.

Q *So that the executive at his desk is not using up much energy—*

A That's right. But this is interesting—and, again, it is a point that I don't think many people realize: A business person very frequently is using up a lot of calories by working at his desk, even though he apparently is not moving. Now, you might think that is mental energy. It isn't. It's simply because he is tense—his muscles are tense, his leg muscles are tense, his arm muscles are tense, he is holding his pencil hard.

Now, when you are tense, your muscles are in a process of tension, just as if you were running. It's just like running while you are sitting at your desk. Many people have confused that by saying that mental energy must be using up those calories. Well, there have been good studies that show that mental energy requires an insignificant amount of calories. A person sitting at his desk, worrying about a lot of things from his business to his wife or children, is tense physically and is therefore using up calories.

Q *Does smoking cut down your appetite and keep you thin?*

A As far as I know, there is no good evidence to support the frequent comment that smoking decreases appetite. However, I will admit that one frequently hears of—and knows—individuals who, when they give up smoking, put on some extra weight.

Q *Why do people gain weight after they stop smoking?*

A If people do gain weight after giving up smoking, it could be for many reasons. Food may taste better, so they eat more. Eating gives them something to do to take the place of smoking.

Smoking gives what psychologists refer to as "oral satisfaction." If you have a cigarette in your mouth, you fulfill that need of oral satisfaction. When you do not have a cigarette in your mouth, you are more likely to put other things in—food, for example. You're likely to chew gum. You're likely to eat candy. Or bite your nails—anything to provide "oral satisfaction."

Q *Have views changed recently as to what foods the dieting person should eat?*

A I would say that there has been a change toward a diet that tends to be higher in protein and lower in fat.

Probably the biggest change in our dietary habits is the development of this concept that the important thing in a diet is to cut down on the intake of all foods, with the possible exception of proteins, rather than to cut things out. A point I would like to make note of is that I think bread and potatoes have certainly in the past been maligned in weight reduction. There really is no more reason to cut out bread and cut out potatoes than there is to cut out anything else.

The main principle of good nutrition, whether we're talking about diets for weight reduction or weight gain, is to eat a variety of foods—a variety of vegetables, a variety of fruits. Now, if you want to try to lose weight, the thing to do is to eat less but still have the variety. You ought to eat some bread if you like bread, you ought to eat some potatoes if you like them, you ought to eat some meat. You ought to have sugar in your coffee if you like it that way. The thing is to cut down, not cut out.

Q *Is there ever any hope that obesity will someday be wiped out?*

A I don't think so. I don't think we will ever have a perfect world. Life would be too boring.

AFRAID OF GETTING FAT?

Here Are Tips From An Expert*

Eat a good breakfast

Substantial foods, especially proteins, keep you from getting hungry as quickly — help you get through the day with fewer calories.

Nibble between meals

Snack scientifically. Let it be something that contributes to nutrition—and something you give up next time you sit down to the table.

Drink before dinner?

That's all right, if you like. But when you do take a cocktail before your meal, offset the calories by skipping, say, dessert.

Don't overexercise

Exercising a lot gets you hungrier, makes you eat more. Mild, consistent exercise burns up pounds without stimulating the appetite.

Eat bread and potatoes?

Sure. Point is, get a balanced diet and cut down, not out. Limit your calories to your energy needs — and figure that by watching the scales.

*Dr. Fredrick J. Stare, Harvard School of Public Health

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Interview with DR. HUGH M. SINCLAIR

Director, Laboratory of Human Nutrition, University of Oxford

A BRITISH VIEW ON OVER-EATING: TAX ON FAT PEOPLE?

Why is getting fat more harmful than being fat? Will losing pounds, if you are overweight, increase your life expectancy? How can you tell what your ideal weight is?

To get the answers to these and related questions, *U.S. News & World Report* sent its Associate Editor in London, Charles H. Kline, to interview a distinguished British expert on nutrition, Dr. Hugh M. Sinclair, at Oxford, England. Dr. Sinclair is director of the Laboratory of Human Nutrition of the University of Oxford. In World War II he advised on the British diet under rationing.

Dr. Sinclair has suggested that a fat person should have to pay a special tax.

Another nutrition expert's views on the dangers of excess weight are given on page 50 in an interview with Dr. Fredrick J. Stare of Harvard University.

Following are Dr. Sinclair's views.

At OXFORD, ENGLAND

Q *Is it true, Dr. Sinclair, that you favor a special tax to be levied on overweight individuals?*

A Obesity is dangerous to a person's health. It represents a waste of food. It can be measured readily. Hence, it might be plausible in a welfare state, with a government spending a lot on social benefits, to tax more heavily those who let themselves get too fat.

Q *Is that a serious suggestion?*

A Yes. I expressed it, of course, to stimulate scientific talk when I was acting as chairman of such a discussion at the last meeting of the British Association [for the Advancement of Science].

Q *Are there data to show a relationship between the extent of overweight and the probable shortening of a person's life?*

A Yes, figures have been worked out. If a person aged 45 to 50 is 30 pounds overweight, the chances of dying are a third greater than if his weight were normal; if he is 80 pounds overweight his chances of dying are doubled.

Q *But apart from consulting insurance charts how can anyone be sure what his desirable weight should be with a given age and height?*

A This is a vital point. In defeating obesity we are not really interested in weight but in the excess fat in the body. And those two things are very different indeed.

Q *Could you spell that out, Dr. Sinclair?*

A For instance, people who are very muscular tend to be overweight, by ordinary standards, for their height. Yet they may have very little fat in their bodies. Some charts usually used as yardsticks can be misleading. They have their basis many years back when people were weighed in very heavy clothes and women were encased in a good deal of whalebone. The sample of people then buying life insurance is hardly a fair sample of the population of today.

Q *Well, what standards could a person use?*

A About half the fat in the body is under the skin. The thickness of the skin can be measured with a simple caliper and the amount of fat in the body calculated. This was shown to be the best index when we made studies of the famine in the Netherlands at the end of World War II and in Germany afterwards.

Personally, I think the thickness of the skin as an index of fat will eventually supersede weight charts. Dr. Ancel Keys of Minnesota, who, incidentally, worked with us in Oxford for a year two years ago, is doing extensive and very important research in this direction.

Q *Do you attach any importance to heredity as a cause of obesity?*

A Overweight parents tend to have children who grow up in their likeness. There may be an early atmosphere of overeating. But consider, too, that the obese person is simply increasing the size of fat cells already in his body. New cells of fat aren't developed. Thus, presumably, persons born with a large number of fat cells grow overweight more readily than those with fewer.

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Extra Weight Is Strain on Heart . . . Other Perils—Diabetes, Kidney Trouble . . . Thickness of Skin: Index of Fatness

DR. HUGH SINCLAIR

Q *Has the growing popularity of cocktail parties had much to do with increasing the problem of obesity?*

A Yes, surely, for three reasons. Alcohol has a substantial number of calories. Canapés are particularly fatty snacks with more calories. And the appetite is sharpened by alcohol to take a larger meal once the party is over.

Q *Do you feel the process of becoming overweight is more likely or less likely to injure one's health than the hazards of just carrying around excess weight?*

A In general, the process of developing undue weight is more dangerous. But we know obesity of itself is harmful. Obviously there is an extra strain on the heart. And fat persons are also more likely to cause automobile accidents, to be liable to mechanical hazards. Dr. Louis Dublin of the Metropolitan Life Insurance Company, New York, collected evidence that the obese who reduce their weight have a longer life expectancy.

Q *Are there other hazards from being overweight?*

A Diabetes and kidney trouble are much more common in fat people than in those of the same age who are not overweight. So is heart disease.

Q *Anything else?*

A The chances of developing high blood pressure are greatly increased because hardening of the arteries is related to obesity.

Q *Should a person eliminate fats from his daily diet?*

A No, there are good reasons for including some fat.

Q *What reasons?*

A Fats have a desirable lubricating effect on one's food: dry bread, with the fat extracted, even though spread with jam, is difficult to swallow. Secondly, fat is absorbed slowly and delays hunger between meals. Thirdly, fats provide more than twice as much energy as an equivalent amount of other foodstuffs: After World War II it was found in Germany that so much bread and potatoes were needed to compensate for a lack of fat that the diet then became too bulky.

Q *What about the theory that a person's heavy eating habits while young tend to carry over into his sedentary life later and thus encourage obesity?*

A It's a sound one. And if a person resumes strenuous exercise in middle age that may only serve to whet the appetite and defeat the purpose.

Q *Is exercise useless for reducing?*

A No. If you increase your exercise slightly, maybe by walking more regularly, that won't cause greater hunger and weight will decline. A thin person usually is one who is never very quiet; his gestures amount to exercise. A fat man may appear to eat or actually eat less than a thin man, yet spend much time slumped in a chair and so puts on pounds.

Q *But what one eats has more effect relatively on one's weight than exercise, doesn't it?*

A The best advice about reducing probably came years ago when the British humorous magazine, *Punch*, advised simply: "Try to say 'No, thank you' to the third helping."

Q *You said at the outset that being fat is dangerous. Why is that?*

A If you are middle-aged or beyond and overweight 10 pounds or more, then your chances of dying are greater than the chances of a heavy smoker dying from lung cancer. Overeating is very much more dangerous than smoking.

Q *Is your opinion based on research?*

A Yes. I used British statistics reflecting the incidence of cancer among heavy smokers and contrasted them with those on obesity. However, it appears that lung cancer among heavy smokers may be greater in the U. S. than in Britain.

Q *What is the effect on weight of eating between meals?*

A For most people, snacks between meals result in a greater over-all food consumption. If, however, snacks are used in moderation to decrease the size of regular meals by making the person less hungry at mealtimes, then they will be helpful to those overweight.

(Continued on next page)

. . . "I am dubious about pouring unlimited milk into children"

Q *Briefly, does successful reducing mean a fundamental change in eating habits rather than any trick diet of a short or long period?*

A Yes. A sincere change in habits is needed. A simple start is to give up sugar in tea or coffee. That small adjustment can make quite a big difference.

Q *Can a person curb his appetite by smoking yet not run a health risk by the amount of smoking?*

A You do see people gaining weight after giving up smoking. But that's often because they substitute snacks for a pipe or cigarette. I endorse W. S. Gilbert (of Gilbert and Sullivan fame) who had a "Bab Ballad" on the merit of moderation. It ran: "I takes my pipe, I takes my pot, and drunk I'm never seen to be. I'm no teetotaler or sot, and as I am I mean to be."

Q *Should the average person adopt a special diet immediately upon stopping smoking?*

A Nothing so drastic. But they should watch the bathroom scales more often.

Q *Is overeating by children also harmful?*

A It is dangerous to make any growing organism mature too quickly. If you overfeed children they probably mature earlier and die earlier. The principle certainly has been illustrated in experiments with a variety of animals.

Q *Can you be more explicit, doctor?*

A I am dubious about the wisdom in Britain or in the U. S. of pouring unlimited milk down the throats of children and also in the U. S. of giving children certain vitamins and antibiotics to make them grow quicker. At maturity a person's size may not be any greater than it would otherwise have been, but adult size is reached earlier.

Q *Dr. Sinclair, you look especially trim. Have you a personal recipe for avoiding getting fat?*

A The suit I am wearing now was made for me when I was an undergraduate a quarter of a century ago—which says a lot for the cloth! My recipe is to eat a big breakfast, particularly protein foods such as milk and bread or other cereals; to walk a block or two regularly; and, if the bathroom scales start to rise, to cut fatty and starchy foods down a bit.

Desirable Weights For Men

AGES 25 and OVER

HEIGHT (with shoes)		WEIGHT IN POUNDS (as ordinarily dressed)		
Feet	Inches	Small Frame	Medium Frame	Large Frame
5	2	116-125	124-133	131-142
5	3	119-128	127-136	133-144
5	4	122-132	130-140	137-149
5	5	126-136	134-144	141-153
5	6	129-139	137-147	145-157
5	7	133-143	141-151	149-162
5	8	136-147	145-156	153-166
5	9	140-151	149-160	157-170
5	10	144-155	153-164	161-175
5	11	148-159	157-168	165-180
6	0	152-164	161-173	169-185
6	1	157-169	166-178	174-190
6	2	163-175	171-184	179-196
6	3	168-180	176-189	184-202

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Desirable Weights For Women

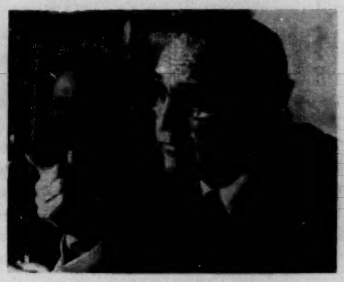
AGES 25 and OVER

HEIGHT (with shoes)		WEIGHT IN POUNDS (as ordinarily dressed)		
Feet	Inches	Small Frame	Medium Frame	Large Frame
5	0	105-113	112-120	119-129
5	1	107-115	114-122	121-131
5	2	110-118	117-125	124-135
5	3	113-121	120-128	127-138
5	4	116-125	124-132	131-142
5	5	119-128	127-135	133-145
5	6	123-132	130-140	138-150
5	7	126-136	134-144	142-154
5	8	129-139	137-147	145-158
5	9	133-143	141-151	149-162
5	10	136-147	145-155	153-166
5	11	139-150	148-158	155-169
6	0	141-153	151-163	160-174

Source: Metropolitan Life Insurance Co.

THE MAN .. Senator McClellan **THE NEWS** .. Replacing McCarthy

What Will Democrats Investigate?



—USN&WR Photos

An Arkansas Democrat, Senator John L. McClellan, is taking over the "McCarthy Committees." People wonder if he will keep on hunting Communists, or try to expose waste by the Republicans instead. You get a look, now, at the new chairman, a preview of the course he is expected to follow.

THE SENATOR FROM ARKANSAS who is taking over Senator Joseph R. McCarthy's investigating apparatus in the 84th Congress is making two things clear: Communism is not going to be the only subject of inquiry; the investigations will not be any one-man operation.

John L. McClellan is the Democrat who is to head both the Senate Committee on Government Operations and its Permanent Subcommittee on Investigations. Senator McCarthy, too, has been chairman of both. But it was as top man on the Subcommittee that the Wisconsin Republican conducted his series of investigations of Communist infiltration in Government. Frequently he did so without other senatorial help.

From what Senator McClellan has told his friends, you can count on seeing quite a difference. The ideas of the Arkansas lawyer run back to the heritage of the powerful Committee and its investigating arm, and to the terms of reference with which Congress endowed them.

The Committee on Government Operations, at first called the Committee on Expenditures in the Executive Departments, was set up by the Legislative Reorganization Act of 1946. However, its subcommittee descended from the investigating body which, under the then Senator Harry Truman, looked into World War II production expenditures.

For some years after the war, Operations Committee and Subcommittee functioned pretty close to the key directive, "studying the operation of Government activities at all levels with a view to determining its economy and efficiency." Propelled by various chairmen, the group investigated a good many separate wastes and abuses, rather than confining itself to a single subject.

On the whole, the investigators left the subject of subversion to other committees specifically assigned to that field. Only after Senator McCarthy took over, did Communist infiltration become almost the sole point of attack.

The Hoey way. Now Senator McClellan likes to think of getting the Subcommittee back to the line of inquiries, using the kind of methods, pursued by the late Senator Clyde R. Hoey of North Carolina, who piloted the group for four years prior to 1953.

Senator Hoey won the Senate's respect not only for his unfailing courtesy but for his efficiency at investigation. The North Carolinian ran down some of the more notable scandals of his period. While he was chairman, the Subcommittee dug out the five-percenter and ship-sales affairs, exposed the sale of Post Office jobs, helped turn up irregularities in Reconstruction Finance Corporation matters.

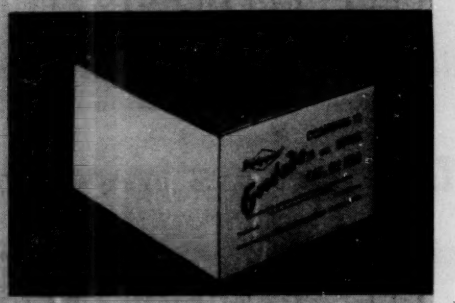
Senator McClellan sees it this way: The Senate Investigating Subcommittee was not set up primarily to inquire into Communist infiltration. By "stretching" its directive,

(Continued on page 62)

—United Press

SENATORS McCARTHY & McCLELLAN
. . . a difference in approach

BRIGHTER
color



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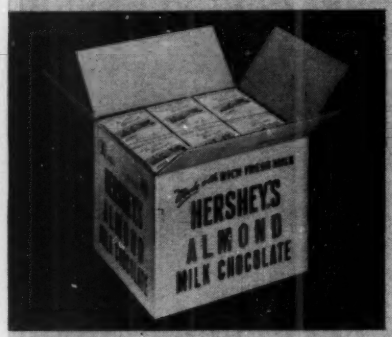

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Senator McClellan finds plenty to look into . . .

it could do so. Subversion, in Mr. McClellan's view, could affect both "economy and efficiency" of Government activities; therefore, the Committee does have jurisdiction in the event of Communist infiltration.

In any case, the Subcommittee has investigated Communism in the past; it will do so under Senator McClellan, if it encounters evidence of further infiltration.

Unplowed ground? But the investigators will go also into the other aspects of governmental economy and efficiency, determine whether there has been waste or extravagance for any reason.

The Arkansas Senator has refrained from detailing any specific lines of probable investigation. He says: "There are so many things that have come up under this Administration—." Along with a good many other Democrats, Senator McClellan regards the first two years of the Eisenhower regime as an open field for inquiry as to economy and efficiency.

Changes. In the conduct of the Subcommittee, Senator McClellan anticipates that there will be some new staff members. Senator McCarthy's choices will go. Furthermore, the new chairman wants to tighten up rules to assure that at least two members are present for any Subcommittee hearing or investigation.

However, any action in these respects will be taken by the Committee, not by the chairman alone, Senator McClellan says.

The Arkansas Senator's colleagues say this is not a new attitude on his part. They point out that Mr. McClellan has shown great determination in supporting what he believes to be reason and legality in investigative procedures on some important occasions.

In 1953, Senator McClellan led the three Democratic members in a walkout from the Investigating Subcommittee because the Republican majority had given Senator McCarthy unlimited power to hire and fire staff members without consulting the Democrats. The Democrats returned when the rule was rescinded.

During the prolonged hearings for Senator McCarthy and Army Secretary Robert T. Stevens last spring, Senator McClellan spoke out for public testimony from all the principals.

In the question of Senator McCarthy's possession of a confidential Federal Bureau of Investigation document, the Arkansas member said: "I do not believe that you can receive information that is obtained by criminal means and hold it in your possession without the probability of you, too, being guilty of crime."

. . . New chief investigator was a lawyer at 17

After the hearings, Senator McClellan received 43 letters from other Democratic Senators, commending him for his conduct. At the close of last autumn's special session of the Senate, he voted in favor of the motion of condemnation for Senator McCarthy.

Nevertheless, friends say the two men are not personally antagonistic.

The long pull. Senator McClellan, now 58, has been a lawyer for 41 years. Born on a farm in South Central Arkansas, he began studying law in his father's law office at the age of 12; was admitted to the bar when he was 17. It took a special act of the State legislature to permit him to practice at that age.

After serving as a lieutenant in the Army in World War I, Mr. McClellan established a practice at Malvern, Ark., served for two terms as a prosecuting attorney. He was elected to Congress as a Representative in 1934.

In his first try for the Senate, in 1938, Mr. McClellan was beaten by the incumbent, Mrs. Hattie Caraway. Four years later, however, he won handily. He has remained in the Senate.

Senator McClellan describes himself as an independent Democrat. His voting record has been considered "conservative." He has opposed civil-rights and fair-employment-practice legislation. He has displayed much interest in Government economy and reorganization, was a member of the Hoover Commission on the latter topic.

In speech, Senator McClellan is sparing but incisive. Witnesses find him a fair but penetrating questioner. He is 5 feet 9 inches tall, with black hair, and wears dark-rimmed glasses.

- Tragedy touched Senator McClellan's life in wartime. Two of his sons were killed: one, in the North African campaign; the other, in an automobile accident after three years of Navy service. The Senator has a third son and two daughters.
- ***New course.*** When Senator McClellan takes over his chairmanships, Senator McCarthy is expected to stay on as Committee and Subcommittee member. If he wants to investigate Communists on his own, as an individual Senator, he may do so, and make his report on the Senate floor. That is what he did before he headed any committee.

But the nature and method of the Subcommittee's own investigations are bound to change, Mr. McClellan's colleagues say. Important inquiries may well lie ahead, in diverse fields. But other Senators are not expecting anything like the pyrotechnics of the McCarthy era.

LET'S SEE...

Let's drive on concrete tonight!

"Let's see—we could take a shorter route but the gas station man says this one is concrete all the way. We'll make better time because we can see where we're going on concrete. Yes, let's *see!* Let's take the concrete road tonight!"

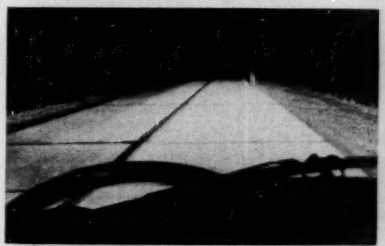
Millions of motorists make this wise decision. There's good reason for it. For example, Illuminating Engineering Society tests reveal that a concrete pavement reflects up to four times as much light as dark pavement.

And in the state of Washington, a 1952 survey showed 63% more nighttime accidents occurred on dark pavement than on concrete as compared with 50% more in daylight!

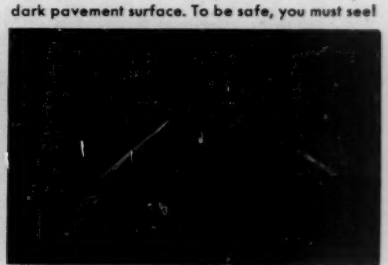
Studies like these prove conclusively how important good visibility is to safe driving at night, when most accidents occur. *Simple logic says you can't be safe if you can't see!*

Yes, safety on the highway at night demands high light reflectance. Only concrete provides it. For safety's sake urge public officials to pave all your main roads with concrete.

Because concrete is light-colored your headlights illuminate the road a maximum distance ahead.



Light from the same headlights is absorbed by a dark pavement surface. To be safe, you must see!



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50,000,000	CALIFORNIA, STATE OF† Var. Rates Veterans' Bonds, Due 1956-75
50,000,000	CALIFORNIA, STATE OF† Var. Rates School Bonds, Due 1956-80
33,100,000	CHICAGO, ILL.† Var. Rates Bonds, Due 1955-72
5,000,000	CLEVELAND, OHIO† Var. Rates Elec. Rev. Bonds, Due 1959-78
10,000,000	DELAWARE, STATE OF† 1.70% Bonds, Due 1955-74
10,000,000	FAIRFAX COUNTY, VA. Var. Rates Sewer Bonds, Due 1958-89
16,942,000	FLORIDA, STATE BOARD OF EDUC. OF Var. Rates Rev. Bonds, Due 1955-75
5,000,000	FORT WORTH, TEXAS† Var. Rates Bonds, Due 1955-79
10,600,000	HOUSTON, TEX.† Var. Rates Bonds, Due 1955-79
6,000,000	LANSING, MICH. Var. Rates Bonds, Due 1957-76
6,000,000	MEMPHIS & MEMPHIS CITY SCHOOLS, TENN. Var. Rates Bonds, Due 1955-84 (2 issues)
60,000,000	MICHIGAN, STATE OF† Var. Rates Korean Veterans' Bonds, Due 1956-70
6,850,000	MONTGOMERY COUNTY, MD. Var. Rates Bonds & Ctfs, Due 1955-84
45,558,500	NEW YORK SCHOOL DISTRICTS (Various) Var. Rates Bonds, Due 1954-84 (25 issues)
350,000,000	NEW YORK STATE THRUWAY AUTH.† Var. Rates Gen. Rev. Bonds, Due 1964-79 & 1994 (2 issues)
12,000,000	OMAHA PUBLIC POWER DISTRICT, NEB. Var. Rates Elec. Rev. Bonds, Due 1956-84
5,000,000	OREGON, STATE OF† 1¾% Veterans' Welfare Bonds, Due 1967
30,000,000	PENNSYLVANIA, GEN. STATE AUTH. OF Var. Rates Rev. Bonds, Due 1957-81
13,307,000	PENNSYLVANIA SCHOOL DISTRICT AUTHORITIES (Various) Var. Rates Rev. Bonds, Due 1955-94 (5 issues)
20,000,000	PENNSYLVANIA, STATE HWY & BRIDGE AUTH. OF, Var. Rates Rev. Bonds, Due 1958-77
43,520,000	PHILADELPHIA, PA.† Var. Rates Bonds, Due 1955-80
5,000,000	PITTSBURGH SCHOOL DISTRICT, PA. 2⅛% Bonds, Due 1955-79
20,000,000	PORT OF NEW YORK AUTHORITY† 1.70% Consol. Rev. Bonds, Due 1955-64
335,000,000	POWER AUTHORITY OF THE STATE OF NEW YORK† Var. Rates Gen. Rev. Bonds, Due 1965-76 & 1995
8,500,000	SOUTH BEND, IND.† Var. Rates Sewage Rev. Bonds, Due 1956-84
20,000,000	SOUTH CAROLINA, STATE OF† 1.80% School Bonds, Due 1955-74
23,610,000	STATE PUBLIC SCH. BLDG. AUTH., PA. Var. Rates Ref. Rev. Bonds, Due 1956-89
10,000,000	TAMPA, FLA.† Var. Rates Sew. Rev. Bonds, Due 1958-89
7,250,000	WYANDOTTE SCHOOL DISTRICT, MICH. Var. Rates Bonds, Due 1955-72
$116,586,204	ADDITIONAL TAX-EXEMPT BONDS—104 ISSUES

Descriptive circulars or prospectuses and current quotations will be supplied for any of these securities upon request.

* *To December 21, 1954*

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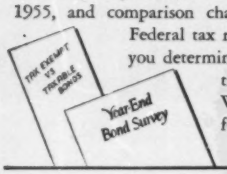
Send for 1954 Year-End Bond Survey & Tax Chart

Concise survey of 1954 bond market and outlook for 1955, and comparison chart based upon individual Federal tax rates now effective—to help you determine the value of tax exemption in your income bracket. Write without obligation for folders WS-54.



Amount of Issue	*Corporate*	Underwriting Interest
$250,000,000	AMERICAN TELEPHONE AND TELEGRAPH COMPANY† 30 Year 3¼% Debentures, Due 1984	$18,250,000
18,000,000	BOSTON EDISON COMPANY First Mtge Bonds, Series E, 3% Due 1984	8,600,000
15,000,000	CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD EQUIPMENT TRUSTS, SERIES SS & TT, 2¾% & 2⅞% Equip Tr Ctfs, Due 1955-69 (2 issues)	6,000,000
50,000,000	THE COLUMBIA GAS SYSTEM, INC. 3½% Subordinated Debentures, Due 1964	10,000,000
40,000,000	CONSOLIDATED GAS ELECTRIC LIGHT AND POWER COMPANY OF BALTIMORE First Ref Mtge SF Bonds, Series Z 3%, due July 15, 1989	11,000,000
25,000,000	CONSOLIDATED NATURAL GAS COMPANY 3% Debentures, Due 1978	10,000,000
16,000,000	DUQUESNE LIGHT COMPANY First Mtge Bonds, Series due July 1, 1984 (3⅛%)	9,350,000
10,000,000	FLORIDA POWER & LIGHT COMPANY First Mtge Bonds, 3⅛% Series due 1984	4,950,000
30,000,000	HOUSTON LIGHTING & POWER COMPANY First Mtge Bonds, 3% Series due 1989	4,450,000
21,000,000	ILLINOIS CENTRAL EQUIPMENT TRUSTS, SERIES 38, 39 & 40 2½% & 2⅝% Equip Tr Ctfs, Due 1954-70 (3 issues)	12,300,000
103,000,000	ILLINOIS CENTRAL RAILROAD COMPANY First Mtge 3¼% Bonds, Due 1980, First Mtge 3⅜% Bonds, Due 1989 & 3½% Sinking Fund Debentures Due 1980	19,800,000
50,000,000	THE KANSAS CITY SOUTHERN RAILWAY COMPANY† First Mtge Thirty Year 3¼% Bonds, Series C Due 1984	3,150,000
15,000,000	LACLEDE GAS COMPANY First Mtge Bonds, 3¼% Series due Dec. 1, 1979	5,450,000
18,000,000	LOUISIANA POWER & LIGHT COMPANY First Mtge Bonds, 3⅛% Series due 1984	9,950,000
15,000,000	METROPOLITAN EDISON COMPANY First Mtge Bonds, 3⅛% Series due 1984	5,050,000
19,266,000	MONTREAL, THE CITY OF (CANADA)† Var. Rates U.S. Debentures, Due 1954-72	2,601,000
20,000,000	THE MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY 35 Year 3% Debentures, Due 1989	3,250,000
30,000,000	NEW ENGLAND TELEPHONE AND TELEGRAPH COMPANY 34 Year 3⅛% Debentures, Due 1988	12,650,000
25,000,000	NEW JERSEY BELL TELEPHONE COMPANY 35 Year 3% Debentures, Due 1989	13,800,000
60,000,000	NORTHERN ILLINOIS GAS COMPANY† First Mtge Bonds, 3½% Series due January 1, 1979	4,000,000
20,000,000	NORTHERN STATES POWER COMPANY (MINN.) First Mtge Bonds, Series due Oct. 1, 1984, 3⅛%	7,300,000
30,000,000	OHIO EDISON COMPANY First Mtge Bonds, 3¼% Series of 1954 due 1984	7,450,000
20,000,000	THE OHIO POWER COMPANY First Mtge Bonds, 3⅛% Series due 1984	8,000,000
30,000,000	PACIFIC POWER & LIGHT COMPANY First Mtge Bonds, 3½% Series due August 1, 1984	3,700,000
50,000,000	THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY 35 Year 3⅛% Debentures, Due 1989	10,050,000
12,000,000	PENNSYLVANIA ELECTRIC COMPANY First Mtge Bonds, 3⅛% Series due 1984	10,000,000
20,000,000	PUBLIC SERVICE COMPANY OF COLORADO First Mtge Bonds, 3⅛% Series due 1984	11,550,000
25,000,000	PUBLIC SERVICE COMPANY OF INDIANA, INC. First Mtge Bonds, Series K, 3⅜% Due 1984	5,000,000
12,500,000	PUBLIC SERVICE COMPANY OF OKLAHOMA First Mtge Bonds, Series E, 3% Due 1984	3,950,000
50,000,000	PUBLIC SERVICE ELECTRIC AND GAS COMPANY First and Ref Mtge Bonds, 3¼% Series due 1984	7,700,000
55,000,000	SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY 35 Year 3⅛% Debentures, Due 1989	7,000,000
20,000,000	SOUTHERN NATURAL GAS COMPANY First Mtge Pipe Line SF Bonds, 3⅛% Series due 1974	2,750,000
190,000,000	TENNESSEE GAS TRANSMISSION COMPANY† First Mtge Pipe Line Bonds, 3½% Series due 1975 & 4¼% Debentures due 1974	8,446,000
10,000,000	THE UNITED GAS IMPROVEMENT COMPANY First Mtge Bonds, 3¼% Series due 1979	5,700,000
12,000,000	WEST PENN POWER COMPANY First Mtge Bonds, Series P, 3% Due 1984	4,200,000
73,250,000	ADDITIONAL PUBLIC UTILITY BONDS . . 14 ISSUES	48,910,000
47,735,000	ADDITIONAL RAILROAD BONDS AND EQUIPMENT TRUST CERTIFICATES . . . . . 13 ISSUES	26,685,000

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To clear up some of the confusion resulting from the decision to cut back the armed forces:

RELEASE OF DRAFTEES. Some draftees now in service are going to be released by the Army a few weeks ahead of schedule, but no big reduction in draft-service time is in sight yet. Present plan is to release next May all draftees who have completed 23 months of active duty. In June, those with 22 months will be turned loose. The Army has had a "prerelease" program all along. It usually applied to men who served overseas and came home with less than four months remaining of their required draft term.

DRAFT CALLS. The draft will go on, though at a much reduced rate. February call is for 11,000 men. Latest survey shows that in 18 States the average age of drafted men is 22. In many places, volunteers have been meeting virtually all quotas. Deferments already are a bit easier to get in some places. But deferment prospects vary; local draft boards have much freedom of choice.

VOLUNTARY ENLISTMENTS. There's no plan for widespread early release of men serving voluntary enlistments. There is this change, in that field: The Army is letting it be known that it expects to stiffen its requirements a bit, be a little more selective in picking the men it enlists as careerists, now that manpower needs are falling. Air Force and Navy plan no change in policies at this time. A proposed pay raise for the armed forces, if approved, will make military careers much more attractive to youths in 1955.

CANADIAN SECURITIES. Note for investors: The Securities and Exchange Commission is taking another, harder look at its program for protecting U.S. buyers from unsound "blue sky" stock schemes originating in Canada. SEC's two-year campaign in this field got a setback when a Canadian judge refused to extradite Canadians indicted on securities charges in the U.S. So SEC is restudying regulations, seeking a "more effective program for prevention of fraudulent offerings or other unlawful sale of such securities in this country." Most of the troubles cropped up in connection with mining and oil stocks.

PHYSICAL CHECKUPS. Are periodic physical checkups really worth the time and trouble? To prove their importance, University of Michigan's Medical School

(over)

and Institute of Industrial Health cites a new study. It kept special records on 500 apparently healthy businessmen taking regular examinations. Study showed that 41 per cent turned up with abnormalities they did not know existed--all requiring medical treatment. "Significant new diseases appeared each year in 13 to 20 per cent of the subjects," the study states. Four cases of previously unknown cancer were found, and other unsuspected conditions revealed by the checkups included 27 cases of high blood pressure, 16 peptic ulcers, 12 gallstones, 8 organic heart conditions, 3 cases of diabetes.

SAVINGS BONDS. Here's a new investment opportunity that might be useful. Series E and H savings bonds, formerly available to individuals only, now can be bought for personal-trust estates, which are generally set up by individuals for themselves or their families. The E bonds, which include the small savings bonds, range from $25 to $10,000 in maturity value. Their interest accumulates until the bonds mature or are cashed in. H bonds pay interest twice a year, start at $500. Annual purchase limit is $20,000 on each series.

THREE R's. School children today get better instruction and learn the fundamentals of reading, writing and arithmetic better than did their counterparts of yesteryear. That, at least, is the claim by the National Congress of Parents and Teachers in a research report. Among its findings: Spelling, despite some people's beliefs, is "not a lost art." The education "frills" that critics complain about are actually fundamentals--considering the demands of modern life. Schools today, the report adds, are "not so much practicing progressive education as putting to use good methods for teaching children."

HELP FOR DISABLED. If you've been disabled for more than six months, a new Social Security rule effective January 1 may help you. It allows you to apply for a "disability freeze." If you're under 65, this will prevent your old-age pension credits from being whittled down while you're unable to work. That happened to thousands under old rules. If you're over 65, became disabled before retirement, you may qualify for a pension where you could not before, or for a larger pension than you now get. Check your local Social Security office for details.

HOUSE PRICES. For those interested in selling or buying an older house, there is this word from the National Association of Real Estate Boards: Prices for older houses dipped 10 to 15 per cent in 1954 compared with a year earlier; the slide is about over now and demand is picking up.

STOCK SALES. Here's a point to remember about selling securities that may control whether you have a gain or a loss to report for tax purposes:

Suppose that, in 1952, you bought 100 shares of stock at $50 a share, and then in 1953 bought 100 more shares of the same stock at $60 a share. In 1954 you sell half your holdings at $55. Do you have a $5 gain or a $5 loss? It's up to you to determine. You can do that by choosing which certificates to deliver--the ones bought in 1952 or the ones bought in 1953. If you are dealing through a broker, be sure to spell out your intention; otherwise the rule is that the earliest bought are the ones first sold.

How much more can the AUTOMOTIVE INDUSTRY GROW in the next ten years?

Pete Wemhoff, editor
Automotive News, has an answer:

"By 1964, the automotive industry expects to be producing at an annual rate of 7,500,000 new cars versus 5,200,000 in 1954. Vehicles on the road 10 years from now will probably total 70 million, a 25 percent gain over today's 56,000,000.

"The next decade will probably also see other commercially important developments such as: turbo-engine trucks and buses, perhaps cars. There will be vast improvements in fuels (perhaps including some form of atomic energy for vehicles). A nationwide network of superhighways, both urban and rural, is almost a certainty.

"Even though the United States now has three times as many cars in use as there are in the rest of the world combined, the industry feels it has just 'scratched the surface' of usage."

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SCHEDULED FLIGHTS of the TCA Viscounts will begin shortly, to Canada from New York, Chicago, Cleveland and Detroit-Windsor, as well as on Canadian inter-city routes. Plan to be one of the first to fly Viscount. No extra fare. Consult your travel agent or the nearest office of Trans-Canada Air Lines in New York, Chicago, Detroit (Windsor), Cleveland, Boston, Seattle-Tacoma, Tampa-St. Petersburg, Los Angeles.

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Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

GOODS FROM ABROAD START NEW FIGHT

The President has a plan to let more foreign goods into the U. S. The aim: Help other nations pay their way, end U. S. aid.

But the program is running into trouble.

Freer trade is losing support, for reasons given below.

The U. S., through the new Congress, is being forced to face up to the old question of whether to let down the bars so that foreigners can sell more of their products in this country.

President Eisenhower has a program, outlined in the chart on page 70, to open the U. S. market somewhat wider and at the same time to increase the flow of private credit to foreign areas.

There has been a widespread feeling that Congress, with Democrats in control, will approve the program with ease. Actually, opposition is building up.

Many who favor freer trade in principle are worried about foreign competition for their local industries.

Time and again, since 1934, the U. S. has cut its tariffs in deals with other countries. The average duty on imports is less than half the rate in effect before these pacts. Still the problem of unbalanced trade remains.

Foreigners are getting about 20 billion dollars' worth of goods and services a year from the U. S. They are selling—and thus raising dollars to pay for—only about 16 billions' worth. The balance—what they don't pay—is being made up by U. S. foreign aid, Government loans and private credit.

End aid? Ways are being sought to cut off the foreign-aid subsidy. "Trade, not aid" is an attractive idea. In theory, the U. S. could do it three ways—

The U. S. could cut off grants, make foreigners get along with fewer American products. This would mean loss of markets for industry and agriculture here at home. It would also mean belt-tightening abroad, and would antagonize allies.

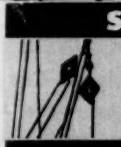
The U. S. could wipe out all tariffs and quotas that limit imports, let foreign goods come in freely. This, experts say, might increase imports a bit more than 2.5 billions a year—not enough to bridge

(Continued on page 70)

Key Products in the Battle Over Imports

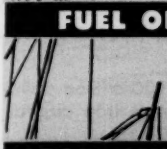
COTTON TEXTILES

Imports are 67 million dollars a year, tiny fraction of U. S. market. But mills and unions fear competition of Japan if tariffs are cut.



SUGAR

Imports from foreign countries are about half a billion dollars' worth a year. Domestic growers supply 54 per cent of U. S. market, want a bigger share.



FUEL OIL

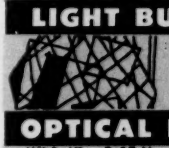
Imports are 246 million dollars a year. Foreigners supply about one fifth of heavy fuel oil used in U.S. Some oil and coal companies think this should be reduced.

LEAD AND ZINC

Imports are 140 million dollars a year of lead, 98 million of zinc — nearly two thirds of U.S. supply of each. Government is price-propping domestic mines.

CHEMICALS

Imports are 259 million dollars a year, about 11 per cent of U.S. market. Domestic industry fears heavier imports if tariffs are cut.



LIGHT BULBS

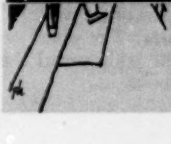
Imports very small, 2 million dollars a year. But heavy Japanese shipments are foreseen if the duty is cut.

OPTICAL INSTRUMENTS

Imports are 7.5 million dollars a year, about 12 per cent of U.S. market. Manufacturers fear Japanese and German competition.

ELECTRICAL MACHINERY

Imports are 42 million dollars a year, very small part of U.S. market. Competition is being felt from Austria and Britain.



FISH

Imports are 107 million dollars a year, big part of the market for some types, such as sardines, salted fish. Japanese tuna competition is feared by U.S. fisheries.

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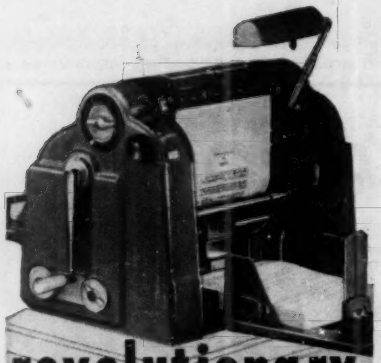

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Congress doesn't want to cut taxes on profits earned abroad while taxes at home stay high . . .

the trade gap. The bigger imports would also hurt many U. S. industries and farm groups.

As a third course, the Government could lend money abroad and stimulate private investment in foreign business. This credit would postpone a reckoning.

Many-sided approach. In practice, the policy adopted by the Eisenhower Administration is to rely on various ways of balancing trade and ending aid.

Aid is to be cut, little by little.

Tariffs are to be cut gradually over a three-year period. In deals with other countries, the limit is to be 5 per cent a year. On rates over 50 per cent of value, reductions to 50 per cent, which the President would make without negotiating, are to be spread over the period.

The Government is to buy more of its equipment from overseas. Government loans are to be increased, through a new agency. Private investments are to be encouraged through tax concessions on profits earned abroad.

On at least two points, the President's plan is heading for trouble.

There is reluctance in Congress to reduce taxes on profits earned abroad at a time when taxes for the millions at home cannot be cut. Also, imports are stirring up more opposition. Votes once cast for freer trade are shifting the other way.

Trouble with imports. The chart on page 69 shows you how widespread the opposition is getting to be.

Coal miners and coal companies in Pennsylvania and West Virginia want imports of fuel oil to be reduced. So do some oil companies of Texas and other States. Mines in the Midwest want curbs on imports of lead and zinc.

Sugar growers of Florida, Louisiana and the Mountain States want a bigger share of the U. S. market, leaving less to be brought in from Cuba.

Fishermen and canners of California and New England are aroused against imports of fish from Europe and Japan.

Farmers in the South and textile workers in New England are fearful that Japanese textiles will take away some of their market, if tariffs are cut.

Machinery companies are feeling competition from Austria, Britain and other European countries on electrical equipment. Foreign tractors, light bulbs, chemicals and optical instruments are regarded as threats, if tariffs are cut. These products affect congressional votes from a great many States.

Where sentiment is changing. In the 1930s, farm groups were a force for freer trade. They hoped that, if other nations could sell more manufactured goods in the U. S., the proceeds would be used for American farm products.

But, in recent years, farmers have come to rely more on Government quotas to keep out foreign farm products. Farmers now find themselves one of the best-protected groups in the country.

Where Eisenhower Stands on Foreign Trade

The President is asking Congress to do this—

- Continue the Reciprocal Trade Agreements Act until June, 1958.
- Let him negotiate new tariff cuts with other countries under that law.
- Let him cut tariff rates that are more than 50 per cent of value without negotiating.
- Set up a new 100-million-dollar International Finance Corporation to help channel funds into capital investments abroad.
- Reduce taxes on profits earned abroad.
- Simplify customs rules.

The President himself has done this—

- Opened talks with Japan on possible new tariff cuts.
- Given Government officials more freedom to buy foreign goods that are cheaper than domestic goods.
- Raised the tariff on watches.
- Used quotas to reduce imports of farm products.

...Only minor changes in tariff have been made since 1945

Hope that other countries would remove trade barriers, if the U. S. cut tariffs, has been disappointed. Partly because of the trade gap, partly to build up their own industries, foreign nations control imports even more than the U. S. does.

Now you find cotton farmers in favor of blocking Japanese cottons, dairy farmers for keeping out European cheeses, wool growers for importing less Australian wool.

Many big industrialists have felt it was "statesmanlike" to be for freer trade. Now, with imports more of a problem and competition stiffer all over the globe, more of them are keeping still or lining up against specific tariff cuts on goods they make.

Powerful labor groups have been for freer trade. Now CIO Textile Workers are fighting tariff cuts on Japanese textiles. The head of the CIO Steelworkers argues that U. S. industry and workers will need special aid from the Government to adjust to foreign competition. A number of AFL unions have come out against low tariffs.

These back-home attitudes will be in the minds of the people in Congress when they consider the President's foreign-trade program. They will be considering also bills to cut down on imports of sugar, oil, lead and zinc. They will be watching talks between the U. S. and Japan on tariff cuts. The first moves in this negotiation have taken place already, and formal bargaining is scheduled to start in Switzerland next month.

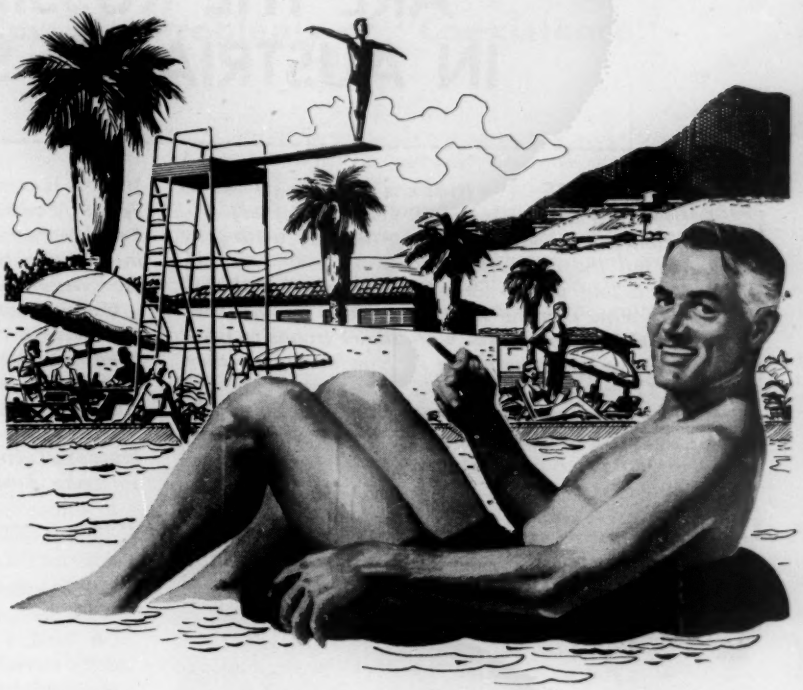
Some Congressmen would like to delay action on the President's ideas until they see what is done in the Japanese deal.

The situation, therefore, is ripe for maneuvering, to protect this group and that.

Stalemate? These forces have made for a kind of stalemate in U. S. trade policy for some time. Only minor changes in the tariff laws have been written, under Democrats or Republicans, since 1945. The last big trade deal with a foreign country was negotiated in 1952. The Eisenhower Administration, as the chart on page 70 suggests, has done some things to make importing easier, other things to make it more difficult.

Now the President is planning a fresh start toward a freer trade, and a battle is shaping up. White House argument is that, on the basis of economic facts, action should be taken to bring imports into closer balance with exports. That argument may be hard to sell to Congress.

YOUR Southern California business trip



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Interview

with THE AUSTRIAN CHANCELLOR Julius Raab

ARE THE RUSSIANS IN AUSTRIA TO STAY?

EDITOR'S NOTE: *The Russians refuse to get out of Austria. The Austrians say 10 years of military occupation is long enough. The Allies are willing to leave, but the Russians sit tight.*

Will it take war to force the Russians out? Short of war, what can the Allies or Austria do about it?

Austria's Communists, with Soviet troops to back them, have had time to dig in. How strong are they now? Is Communist espionage a problem?

For authoritative answers to these and other questions, "U. S. News & World Report" invited the Chancellor of Austria, Julius Raab, to discuss them in an interview.

JULIUS RAAB, *as Federal Chancellor, is Austria's Prime Minister. He is also leader of the Austrian People's Party, a Christian Democratic group which, in coalition with the Socialist Party, controls the Government and speaks for 85 per cent of the voters.*

Under Chancellor Raab's administration, Austria has made a rapid economic recovery. Inflation has been wiped out. A big foreign-trade deficit has turned into a surplus. For the first time in years, Austria has full employment.

Chancellor Raab is known as a champion of free enterprise. In foreign affairs, he puts first the need to make Austria free and independent.

Q *What is the major point, Mr. Chancellor, still holding up the Austrian Treaty?*

A The Russians do not want to quit Austria.

Q *What is the main reason that they do not want to quit Austria?*

A Strategic.

Q *Rather than economic?*

A It's a question of power—power politics.

Q *One thing that is not quite clear: Do the Russians have to get out of the rest of Eastern Europe when they leave Austria, or can some special arrangement, in your opinion, be made so that they will remain?*

A In the treaties with these countries—Hungary, Rumania—in these peace treaties, the Russians are obliged to evacuate these countries. The justification of keeping their troops in these countries is that they want to protect their lines of supply into Austria. But even after the evacuation of Austria, these countries would remain in the power orbit of Russia because no one can control it.

Q *What is your feeling about the possibility of "peaceful coexistence" in Europe?*

A We alone are too small for that.

Q *Too small for "peaceful coexistence"?*

A We are between the two big millstones.

Q *You are worrying about existence, not "coexistence"—*

A In any case, I am of the opinion one thing is certain: Weakness does not impress the Russians.

Q *We've been told that people who are against "peaceful coexistence" are afraid that the people who are now under occupation will become discouraged—*

A Well, I believe that there is sufficient political maturity to realize that it represents an interim state in the constant onslaught of Communism for the purpose of achieving a stabilization. It is in the further developments that we will see whether of itself Communism becomes reconstructed or diminished. That is the question. But the fact is that "coexistence" has at least brought Communism to a halt.

Q *But will the people behind the Iron Curtain and under occupation accept the status quo? In this country, "peaceful coexistence" is often criticized as meaning the status quo—*

A I do not think that "coexistence" is necessarily identical with the term status quo, but at present I cannot see what these people can do.

Q *Then they—the oppressed peoples—don't expect us to do anything to prevent the deeper and deeper penetration of the Communists into these territories. Do they think it means they cannot resist it ever?*

A You mean within Eastern European countries?

Q *Or its advance. If you accept the status quo in Austria, don't you accept it forever?*

A The term "coexistence" is, as I said before, not identical with keeping a status quo in Austria. We have to live side by side. Otherwise there would right now be war. "Coexistence" is, as it were, a pause in international relations, and it remains to be seen whether the contact that the Communist world may gain with the free world will

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Hope for Departure Aided by Allied Build-up . . . How World Opinion Helps . . . Problems of "Coexistence"

convert Communism, which may then lead to a more humane era.

Q *But will the Russians have any reason to give up anything if there is no pressure put upon them?*

A Strength has to be built up in the Western countries so that the Russians concede this and that—in the Austrian Treaty in the first place, of course. I think that the ratification of the Paris and London Agreements will add great strength to the Western world.

Q *What kind of pressure can be brought on the Russians, if not war?*

A Power has its own weight. It does not mean that one has to start a war. With the conclusion of these Paris agreements now, of course, the Russians must realize that there is a partner in the agreement who also possesses power. Up to now, you see, they were always confident that Europe would not unitedly proceed to stop the advance of Communism. The very fact of an existence of a unified Europe forces the Russians somehow to get into negotiations with this power and that power and grant certain concessions.

We are, in spite of everything, I can assure you, absolute optimists. We have to be! Otherwise we might as well hang ourselves, because otherwise we would be saying to ourselves that Communism must inevitably come. No, we are optimists. Communism will be overcome.

Q *Do you think that Austria can establish her autonomy independently, or will she be dependent upon some economic agreements with the rest of Europe? Will she have to be integrated into the rest of Europe on the Eastern side or the Western side?*

A The economic situation of Austria today has considerably improved. We have an active trade balance. Of course, since we formerly lived in the larger economic sphere of the Danubian monarchy, we would welcome it if in the European economic sphere there would be a rather far-reaching abandonment of customs barriers and restrictions.

We do have today a rather favorable economic situation, but it is not yet fully exploited, because at the present time the export markets in the East, that is, Hungary, Bulgaria, Rumania, Czechoslovakia and Poland, which are of greatest importance for the Austrian economy, are not fully accessible to us. But in the course of future developments, they would more or less have to be opened up as export markets for Austrian industry.

Q *If the Russians do not agree to a peace treaty, what happens? Will the present situation just go on indefinitely?*

A Well, we, the population, must always appeal again and again for renewed consideration of the problem. The Russians—this much we have found out—like it the least when the Parliament takes a position, makes its standpoint known, in regard to the circumstances.

–USN&WR Photo

CHANCELLOR RAAB

When freely elected representatives make their demands heard, the Russians just don't like it, and it is then that they are most inclined to grant concessions. The Parliament must, of course, unceasingly call for the State Treaty [the treaty of peace for Austria].

Q *But that hasn't caused the Russians to agree thus far. Is there anything else that can be done, any other pressure that can be brought against them?*

A The pressure of world opinion. The Russians claim that they are the ones who want to conclude the treaty, and it is the other side that does not want to conclude

(Continued on next page)

. . . Time for Russian withdrawal, "the shorter the better"

the treaty. That's the Russian claim. Time is of no essence to the Russians.

Q *What are the outstanding issues that are blocking this treaty? What is the difference between the Russians and the Western Allies?*

A The text of the State Treaty as it was worked out in Moscow has been accepted, except for five articles still outstanding. But even these five articles were conceded to the Russians by the Allies at Berlin. So, the treaty is now ready for signature.

However, in Berlin the Russians came out with another demand, namely, they said they want to extend the period during which troops would stay on in Austria even after conclusion of the treaty. Later rumors were created that the Allied armies should keep only military bases in Austria, but this means we would have a permanent occupation. The argumentation was that the Russians claimed they had to protect Austria from a new *Anschluss* with Germany. The Russians will always find some pretext or other if they want to.

TIMING OF WITHDRAWAL

Q *What do you think of the suggestion of Premier Mendès-France that it might help if the Allies allowed the Russian troops to stay in Austria—or if Austria, rather, allowed the Russian troops to stay in Austria—two years, say, instead of 90 days?*

A This would be justified only if there is a stipulated date for the evacuation of the troops. It may be the end of 1956 or it may be the end of 1957. The situation at present is that the draft treaty states that 90 days after ratification of the treaty by the four Parliaments, the troops have to be withdrawn. That, of course, doesn't mean too much since the Russians don't have to ratify the treaty and so never leave. Therefore, we prefer a fixed date rather than this stipulation.

Q *Then the talk of two years is not related to delay in ratification, but to whether they would accept the modification of the treaty to permit two years? Actually would you object to the modification of the treaty to extend the period of occupation by a fixed period?*

A If a date could be fixed, then the period of 90 days could be extended.

Q *Would you say just how much it should be extended?*

A From our point of view, as short as possible.

Q *But you are not agreeing to two years, then—*

A Would you like the wrath of the Austrian people to be called down on me if I mention too long a period?

Q *Well, that is why this point has been made. It would seem that you would surely not want to do that—*

A The shorter, the better. But I am convinced the Austrian people would also accept it with equanimity if any date were fixed. But if I say today "two years," then it will surely take five years, for then they will ask for something else.

Q *Can you explain the reason why the case of Austria in world opinion is not as strong as the case of a small country such as Indo-China? For example, for months we've been told that Western colonialism would not permit independence—that we were at fault. The Russians took up the idea that the Western countries were the colonialists. How does it happen that there isn't much discussion of the Russian refusal to give independence to Austria?*

A The outstanding case of Austria is the fact that the unity of the country was preserved. It is not, strictly speaking, a colonial system that is being run in Austria. Of course, the Russians know that there is an Austrian Government.

Q *But in the court of public opinion, the failure of France to give independence to Indo-China was constantly harped upon, constantly argued. The failure of Russia to give independence to Austria doesn't seem to have attracted much attention—*

A Well, I can't agree with that. For, it is certain that in the entire free world the fact that the Austrian State Treaty has not been concluded is charged solely and only to the debit of the Russians. The Austrian Parliament passes laws, and the Allied Council in Vienna, that is, the four High Commissioners, only have the right of approval.

For us, the counterpart to negotiate with is not the Russians but the Allied Council—all four Allies—which contains not only Russians but British, French and Americans. In his zone, each of the military commanders only has the right to administer the military affairs of his troops in his zone, but not the civilian rights.

LIVING UNDER OCCUPATION—

Q *Practically, isn't the presence of the military interfering with your independence?*

A Of course, they differ quite considerably, and they do interfere. But our mayors and the different Austrian officials in the towns have already developed the finesse, or technique, to parry this interference. Whenever there is such interference on the part of a military organ, the Austrian Government strongly protests—not to the particular High Commissioner, but to the Allied Council in Vienna, because it is the Allied Council to which the Austrian Federal Government appeals, not the Soviet commander or any other commander.

Q *Are the people restless to regain complete possession of their country?*

A Well, yes, they are restless, because, for one thing, soon it will be 10 years that the occupation troops have been in Austria. That day will not go by without finding the Parliament impelled to make some larger-than-usual demonstration. For we are not going to celebrate it as a day of rejoicing because Austria was liber-

. . . Austrians careful, or "a few might be missing, to Siberia"

ated from the Nazis, but rather we are going to keep it as a day of mourning that this is the tenth anniversary of the occupation of Austria.

Q *Is there much public demonstration?*

A No, there is no unrest in the Austrian population, but there will probably be large demonstrations among the people, expressing their accord with the parliamentary resolutions, but the Austrian population has learned to be disciplined. The Russians have to be handled very carefully, else, in the end, a few might be missing, to Siberia, never to be seen again. There is no need for us to sacrifice our people in this way, but rather by dignified demonstrations against the maintenance of power through the Russian occupation.

Q *You said it was possible to lead a pretty good life in the Russian-occupied area of Austria. Could you explain how the average citizen in the Russian-occupied area comes in contact with the Russians?*

A The Russian troops are strictly garrisoned. There are in the larger cities, the more important cities, Russian commanders, and they deal directly with the mayor.

Q *So, the average citizen has no contact with the Russians in the Russian-occupied areas?*

A No. And, also, on the part of the Russians, they do not want to bring their people into closer contact—their commander, their soldiers—with the Austrian population.

Q *Is that true of the plants that were seized as reparations?*

A Well, in these factories all the employes are Austrian. There's only one general manager or one or two top executives who are Russians. All others are Austrian.

Q *Is that true of the oil fields?*

A Yes, of course. They belong in the same group.

POOR WORK BY RUSSIANS—

Q *Then the report that the Russians are conducting a development of the Zistersdorf oil fields at a ruinous rate is not true?*

A The work is done very carelessly and most inefficiently. The wear and tear on machinery is tremendous.

Q *So that the Austrians take their direct orders at the Zistersdorf fields from Russians?*

A From the Russian general manager.

Q *What is the Austrian oil output?*

A A rough estimate is between 2 and 3 million tons per year.

Q *When you say that the work is slipshod in the oil fields—it's being done by Austrian workers, is it not? Does that indicate that they are, in a sense, sabotaging the Russians?*

A No, I don't think so. It's in their entire system. It's in their system of administration.

Q *Your country is so close to the countries behind the Iron Curtain. You must hear of the sentiment of the people behind the Iron Curtain, do you not?*

A Yes, there's a barbed-wire fence in mine fields along the borders between Austria and the "people's democracies," and there are refugees coming over, some of them wounded, fleeing to Austria. That happens all the time. That is the only contact that we have.

Q *What sentiment do they find exists? Are the people accepting the regime of the other side of the Iron Curtain?*

A Under pressure. They accept it under pressure.

RISKS TO THE "RESTLESS"—

Q *Would you say there is a restlessness?*

A Now really, there's no such thing as restlessness behind the Iron Curtain, because if ever anything like that springs up, it will be wiped out completely at the roots, stamped out without mercy. There is only destruction of any element that dares to oppose.

Q *What about the restlessness of the spirit of the people, not just an outward disturbance?*

A If it were possible to restore liberty and freedom of expression to these countries, these people would be madly overjoyed. It's a prison of silence.

Q *This same distinction in restlessness applies to Austria, too, doesn't it?*

A Well, for the Western zones it is different. Naturally, it is distinctly a thing of the Soviet zone. In the Western zones things are not so urgent as there. But through these many years of waiting, many people have forgotten how to hope and have begun to think that this is going to go on forever and ever. But the Austrian Government cannot accept it. We must get back our freedom and we must get rid of the military.

Q *How have you managed during the occupation to get along with the Russians?*

A There are exaggerated ideas about it in America. Even in the Russian zone it is quite nice. We were very fortunate when in 1945 we were able to create a Central Government. In 1945 National Socialism broke down in Austria, the Russians came to Vienna, and General Clark with the American Army came from the south and met up with the armies of Marshal Tolbuchin from the east.

At that time, Marshal Tolbuchin asked the former State Chancellor Renner, the great old political figure of the Austrian Socialists, to form a Provisional Government to be composed of the three parties—the Austrian People's Party, to which I belong, the Socialist Party and the Communist Party. Each of these three parties was equally represented in the Provisional Government. In other words, in a ratio of 1 to 1 to 1. Each of the Cabinet members had two assistants of the other two political parties.

The Soviet military commands everywhere, that is, in Czechoslovakia, Hungary, Rumania, and Bulgaria, as well as in Austria, had instructions to see that these Min-

(Continued on next page)

. . . "An enormous espionage net" in Austria—and America, too

istries of the Interior, under whose jurisdiction the police and gendarme departments function, must be staffed by Communists.

This demand led the way to the "people's democracies," because at the propitious moment the Communist Ministers of the Interior liquidated all the other democratic parties and, since they controlled the security apparatus, trod down all opposition. And then, too, only the Russians first recognized the Provisional Government. It was only later—the Provisional Government was formed in April, 1945—when the Allies agreed about the occupational zones, in September, 1945, that this Provincial Austrian Government was recognized by all four Allies. Immediately after recognition, in the fall of 1945, we held elections in Austria, on the basis of the election laws that existed before the German *Anschluss*.

At that time, there were no newspapers in Austria, there was no transportation system, no railroads, no postal communication. Yet, in November, 1945, these free elections were held, and the result showed that the ratio of 1 to 1 to 1 was no longer correct for each of the three parties, but that of the 165 deputies in Parliament only five Communists were elected to the Parliament, as a consequence of which the Communist Minister of Interior was immediately dismissed.

This saved the unity of Austria and with it Austrian democracy.

Q *The Minister of the Interior is the man, then, who has charge of the police?*

A Yes, he has that power. In the beginning, in the first nine months, the police under the Communist Minister of Interior included not less than 4,000 Communists, of whom, when the situation was cleaned up in the police department, about 3,000 had to be removed for good reasons. That was the Communist police for you.

In Germany, where there has been no formation of a government permitted, from the beginning the country was split into many Allied military administrative districts, and as time went on, these borders became so rigid, or frozen, that now you have a situation whereby Germany is divided into two parts.

SPIES, SPIES, SPIES—

Q *What about infiltration? Is there much attempt of infiltration of your Austrian Government by the Communists now?*

A They have an enormous espionage net, but Austria is not alone in this respect. They have this in other countries. America is no exception to that.

Q *How do you deal with it?*

A Simply eliminate them. Vienna is a headquarters for military command, and, of course, every command has intelligence services, otherwise there wouldn't be a military command.

Q *Do you feel that public sentiment in Austria is against those people?*

A There are only 5 per cent Communists in Austria. In the Soviet-administered factories, where the workers must be Communists, it is true in elections that there are fewer people voting Communist than there are Communist Party members.

Q *Is there much of an attitude among the intellectuals that Communism as a social philosophy is, perhaps, different from Communism as practiced by the present Government in Russia?*

A There are certain intellectual circles in Austria, as elsewhere, that are sometimes more vulnerable to becoming victims of Communist doctrine than the common people. But, as I said before, Communism as an ideology has been unable to make inroads in Austria.

Q *What is the attitude of the people of Austria toward Yugoslavia, where they've accepted the Communist doctrine but not Moscow's kind?*

A Well, they seem to be slowly watering it down more.

Q *Communism is getting watered down, you mean?*

A In Yugoslavia.

Q *But what is the Austrian attitude toward Yugoslavia?*

A It is very good.

YUGOSLAVS' DILEMMA—

Q *Between the governments?*

A It is also good between the people themselves. The Yugoslavs would like very much investments, but there are some questions, notably the question of Austrian property in Yugoslavia. I think Yugoslavia is very much interested in regaining some sort of basis for their standard of living, for at present it is very low under Communism. But the question is: How shall they put it to their people?

Q *Why is that?*

A Because Communism was put to their people as an ideal philosophy of life, and all of a sudden they have to turn about and say, "Now we are going a different way."

Q *And that takes time, does it?*

A That is a matter of development. It takes time.

Q *What is the future potentiality of Trieste, now that the settlement has been made, in relation to Austria?*

A Trieste primarily depends on Austria, so to speak. We will, of course, support Trieste very much—although it must be said the Northern ports of Hamburg, Bremen, and the Dutch port of Rotterdam are great competition for Trieste.

Q *Are you pleased with the settlement of the Trieste question?*

A Yes. The Italians, too, will have to support Trieste, because the main competitor of Trieste is Genoa. For, with the exception of Austria, Trieste has no other hinterland.

We've Been Asked:

ABOUT TAXPAYING CHANGES

- **Many taxpayers are confused over how changes in tax law affect their taxpaying habits.**
- **Some of the new rules apply for 1954. Others do not come into force until 1955.**
- **Here is an explanation of what is expected of the taxpayer for 1954 and later years.**

Under the new tax law, when do you have to settle your federal tax on income for 1954?

You have until April 15 this year to make final settlement of your income tax for 1954. That means you have an extra month to file your final return, compared with past years.

Does this mean that no January payment is due on the 1954 tax?

No. The law does not change that. If you estimated your tax in 1954 and have been making quarterly installment payments, you still must pay the final installment of estimated tax in January. This year, however, the payment is due January 17, instead of January 15. That's because January 15 comes on Saturday, when most Government offices are closed, and January 16 falls on Sunday.

Can you file a final return in January, and settle in full at that time?

Yes. You can file your final return by January 17, pay what is due, and that will take care of any revised estimate that may be called for. The new law changes this January date for filing a final return to January 31, but that will not apply until January, 1956, when final installments are due on the 1955 tax.

When is the estimate of 1955 tax due?

That's also changed by the new law to April 15. This means you will get an extra month to estimate the 1955 tax and to pay the first installment. But there will be a second installment due two months later. That is because only the first installment date is changed. Other quarterly payments still must be made by June 15, September 15 and January 15 (unless, in future years, the final return is made by January 31).

What about State income taxes? When are they due?

Many States require the filing of income tax returns by April 15, so there will be a duplication here for many taxpayers under the new federal rules. Many people will have a double tax duty on April 15, with sizable payments to States and to the Federal Government. That will require plenty of cash in April. As a result, there probably will be pressure on State legislatures to fix a later date for collecting their income taxes. But no changes are likely for 1954 taxes.

What about corporations?

There is no change in the date on which corporations must file federal income tax returns. That remains March 15 both for the return and for payment of the first installment of 1954 tax.

Does the new law make any change for the farmer?

Yes. He has an additional month, till April 15, to file a final return and pay anything that is owed. However, the farmer must file an estimate by January 17, if he has not done so before, and pay what is shown to be due for 1954—or he can skip the January 17 estimate altogether and file his final return by January 31. Beginning in 1956, the new law extends that date on 1955 income tax returns from January 31 to February 15.

Do you have to file information returns this year?

These returns, which used to be required on February 28 to report payments of $600 or more to anyone in a year, are dropped altogether for most individuals. Thus, you do not have to report on an information return such payments in 1954 to maids and other domestic employes, professional fees, rent, interest, etc. Information returns still are required, however, from many persons engaged in a trade or business.

Why were all the changes made in filing dates?

The changes were aimed to a large extent at giving taxpayers and accountants more time to prepare and file returns, partly in the hope that the returns would be more carefully prepared. Also a longer time is allowed for taxpayers to raise any money needed to pay the federal tax. But, for the taxpayer who has all or most of his federal tax withheld from his wages or salary, the changes will have little meaning—except for an additional month in which to file his return.

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COMPLETELY AUTOMATIC
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Trend of American Business

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Soundings of individual industries, taken by the Government, disclose a universal feeling of optimism over business prospects for 1955.

Added together, the Government samplings point to an increase in output for most of the 400 industries surveyed.

This industry-by-industry survey comes from the Commerce Department's Business and Defense Services Administration, the Government agency that has the closest contacts with industry.

Here are the prospects for some of the most basic industries:

Steel output is likely to be 95 million ingot tons, with 100 million tons as a possibility. Output in 1954 was 88 million tons.

Aluminum production will hit 3.2 billion pounds, 300 million pounds above 1954. Shipments for civilian consumption will mark a record.

Chemicals will reach new heights in many areas. Output of plastics and synthetic fibers, the biggest dollar earners in chemicals, will continue the growth rate that means doubling every five years. Drugs and pharmaceuticals will expand at recent rates, which are three times the average for manufacturing.

Lumber and plywood should produce 5 per cent more than in 1954.

Pulp, paper, paperboard is headed for a record of 27 million tons.

Rubber consumption is estimated at 1.25 million tons. That amounts to 3 per cent over 1954, but less than 1953.

Copper refining and fabricating will be moderately better than 1954.

Now take a look at utilities and a couple of public works:

Telephone industry is expected to show a gain in installations of nearly 1.2 million in 1955, compared with about 1.1 million in 1954.

Electric utilities will continue their program to double capacity in the next 10 years. Orders for generating units will rise.

Public sewers will require new construction for the next five years at almost three times the rate of the last five years.

Public water supplies call for construction for the next five years to average about double the level of the past five years.

Population growth and rising living standards keep demand high for these types of services. Long-term growth here seems assured.

Now, to come down to some major consumer industries:

Automobile output is forecast at 5.75 million passenger cars as a minimum compared with 5.5 million in 1954. Truck production is put at 1 million. Last year 980,000 trucks were turned out.

Household equipment, many other consumer items, including jewelry, sporting goods, toys, pens and pencils, are headed for production increases, chiefly because the inventory situation has been corrected.

(over)

Electronics industry is looking for a factory volume of 6.1 billions, against 5.8 billions in 1954. Products include radio and television sets, broadcasting equipment, radar, sonar, guided-missile systems.

Textile industry pulled out of the doldrums in the closing months of 1954 and expects continued improvement at least through first half of 1955.

Shoe production is sure of a high level for the next three months.

Motion-picture industry counts on increased box-office receipts in 1955, after an 18 per cent gain in 1954 over 1953.

The outlook, however, is not without its soft spots.

Shipbuilding is depressed, isn't to improve until near end of 1955.

Machine-tool orders are down, indicating shipments in 1955 of about 600 million dollars, against 900 millions in 1954.

Farm-machinery inventories are down, but sales are not expected to top 1954 by any substantial margin. Production may gain a bit.

Aircraft industry, 96 per cent dependent on Government, will maintain high production, but is unlikely to gain.

Offsetting these weak areas is the construction industry, which expects another boom in 1955. Container industry also looks for a near record.

Remember that these estimates come from the industries themselves. They represent the judgment of people responsible for production schedules.

Evidence of business improvement, in fact, seems to have sounded a note of caution to the Government's money managers.

Federal Reserve Board, which had been pumping credit into the business system through most of the year, stopped just before Christmas, at a time when demand for money and credit was on the rise.

This does not mean that the easy-money policy is being abandoned. What's up is a shift from a policy of "active ease" in money markets to one of "inactive ease." If necessary, FRB will start pumping out credit again. But, for now, business isn't getting help from the "Fed" when it wants more funds.

This is a sign FRB thinks the business upturn can keep going without help.

National debt is to look a bit better after a new financial transaction.

A note issue of 500 million dollars is to be sold to private investors by the Federal National Mortgage Association, known as "Fannie Mae."

"Fannie Mae" is in the business of providing a secondary market for home mortgages carrying Government guarantees. When original lenders get overloaded with mortgages, they can sell to the federal agency.

Proceeds from the note issue will be used to reduce "Fannie Mae's" debt to the Treasury. Effect will be to cut the national debt.

FNMA notes will not be guaranteed, but Treasury will loan the agency any money it may need to pay principal and interest.

Actually, "Fannie Mae" operations have yielded a profit. Besides aiding Treasury finances, the notes carry out terms of the Housing Act of 1954 that called on the agency to seek private funds for its finances.

Independent auto manufacturers are encouraged over market prospects. They think they have a better than even chance to start a comeback in 1955.

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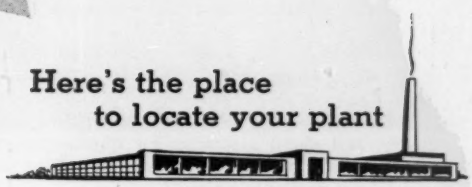

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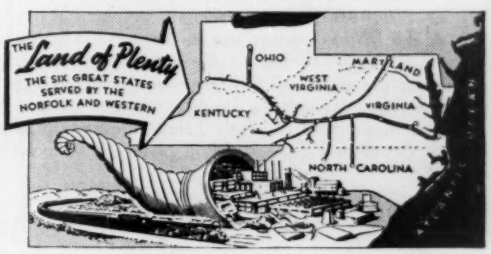

Norfolk and Western RAILWAY

Interview with SOLAR-ENERGY EXPERT

Dr. George R. Harrison

BIG POWER FOR U.S.—IN THE SUN

Solar energy is getting more and more attention as a potential solution of the world's fuel problem. Russia is known to be pushing its work in this revolutionary new field.

What is the outlook in America? Are the sun's rays about to be put to work to produce heat for homes, power for industry?

To get the answers, *U. S. News & World Report* interviewed Dr. George R. Harrison, Dean of Science at Massachusetts Institute of Technology, where research in solar energy is being carried out. Here Dr. Harrison discusses the problems yet to be solved before man effectively harnesses the sun.

Q What is man's most important use of energy, Dr. Harrison?

A To keep alive. He needs energy from food—

Q Well, outside of that, thinking in terms of industry—

A We use about one third of all our energy for space heating, for keeping warm. A little more than a quarter goes for industry, and about a quarter for transportation.

Q Wouldn't getting the energy from the sun for space heating be a desirable project?

A That's right—very.

Q How close are we to making that sort of thing practical?

A We are very close to it. It depends upon the particular application you have in mind.

We use solar energy now, in some places, for water heating. For instance, south of Daytona Beach, Fla., there are a great many solar water heaters, but farther north you can't be sure of getting enough hot water from your solar-energy installation to take a hot bath any time you want to.

If, on the other hand, you talk about house heating by solar energy, we're probably only within the factor of 2.

Q What do you mean by a "factor of 2"?

A I mean that if the installation could be made to cost half as much as it does, it might compete. I suspect that within 10 years a good many houses, especially in the Southern-Southwestern parts of the United States, will be heated by solar energy.

Q When the average individual thinks of solar energy, he thinks of taking the rays from the sun and putting them to work immediately. Can we harness that kind of energy?

A Yes, indeed. That is being done by at least five different methods at the present time, but they are all so inefficient, relatively, that so far it just doesn't pay to make the capital investment that is needed.

Q What are those ways?

A All involve absorption of the sun's energy. For instance, there is the photoelectric effect. In some substances, an electric current is set up directly when solar energy is absorbed.

You may have been reading in the papers about an announcement from the Bell Telephone Laboratories that they have developed a new silicon photoelectric cell which gives an over-all efficiency somewhat greater than 6 per cent. This is a very important announcement, because 6 per cent is good. If you can get 6 per cent of the incoming solar energy as electric power into a motor, you're doing four or five times as well as has been done in the past.

Q Six per cent doesn't seem like much. How does that compare with the amount of the sun's energy you utilize when you burn coal or wood to get steam power, for example?

A The over-all efficiency of a process like that is way below a tenth of 1 per cent, if you include the efficiency of storage by the coal-making organism.

Q In other words, this is the best that man has been able to do in utilizing energy from the sun?

A Yes, except for some very expensive direct processes.

Q Can an individual look forward to having one of these Bell Telephone solar batteries someday on the roof of his house, and from that get electricity to heat his home, to run his lights, and to do all the things that electricity does?

A One could do that if one wanted to, but the difficulty there is the storage problem. Since the sun sets at night, its energy won't operate any lights unless stored up from the previous day. Storing electrical power is efficient, but expensive, in batteries.

Electric power is pretty cheap when it is generated at a large central station. The actual cost of the energy is very low, most of the monthly electric-light bill being for the privilege of turning the power off at will. It seems unlikely that it will be economically feasible to use the sun for this in the near future.

Q What is holding up the practical use of solar energy?

A The expense of installation. To put a solar heating system in a house will cost about the same as a furnace and ordinary heating system. In most places, though, you've got to have a furnace anyway to function when solar energy isn't available, as when the sun is behind clouds over long periods.

Q Does that mean that it will never be practical to get solar energy except in desert countries where the sun shines all day?

A No, because the engineers working on these projects

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First Use: Heat for the Home . . . Basic Machines Are Still Too Costly . . . Southwest Is Area for Experiment

are now developing cheaper means of storing solar energy over periods of 12 hours or longer. Under those circumstances, if the capital investment that's needed can be reduced, it would become quite practical.

Q Are any houses now heated by solar heating?

A The Telkes house [Dr. Maria Telkes took part in solar-energy research at Massachusetts Institute of Technology] out at Dover, Mass., was one until quite recently. We've built two solar-energy houses at M.I.T., and people live in the one we have going right now. There is one out in Colorado that Dr. [George O. G.] Löf developed, who was one of Professor Hottel's students. [Hoyt Clarke Hottel is director of the solar-energy and fuels research laboratory at M.I.T.]. Various glass companies are interested in developing solar-heated houses.

But thus far only a beginning has been made, except that in modern architecture the areas of glass are being increased. And the double-paned or twin-thickness windows that the glass companies have developed do a lot to help keep heat from getting back out while letting sunlight in. I think a great deal more will be done in this direction as heat pumps get developed further, and as air-conditioning becomes more prevalent so that people will be willing to pay for a special installation that will give them air-conditioning in the form of both cooling or heating, the latter to supplement solar heating.

Q In other words, the sun will warm the house in the wintertime and cool it in the summer?

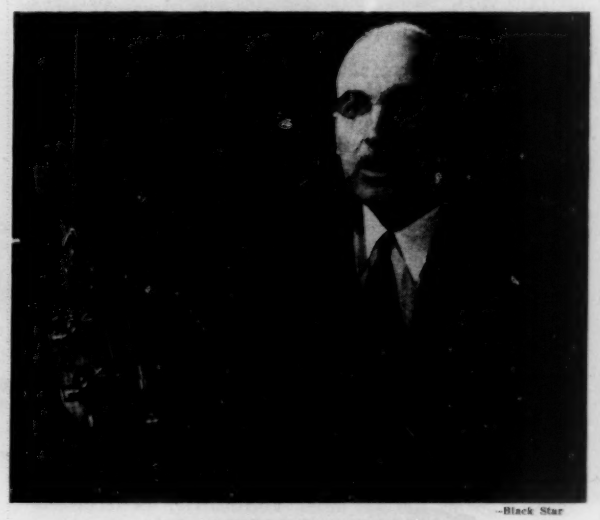
A Well, it could be done that way, yes. But that wasn't what I meant. I referred to buying an ordinary air-conditioning unit of the kind that runs electrically. That can be used to heat up your house instead of cooling it, because all that a refrigerating unit does is to pump heat from one place to another. So, if you want your house cooler, the air-conditioner can pump heat from the inside of the house to the outside. If you wanted the house warmed, you could reverse this and take the cold air from outside, warm it, and pump it inside.

Q How does solar energy fit into this?

A Solar energy comes in because the main thing that prevents us from having economical solar heating of a house is the installation cost—we don't want to have to put in two installations, one for solar heat and one for boiler heat when the sun isn't shining. But we may be willing to put in an auxiliary system for air-conditioning. Then we would have a solar-heating unit which might provide, say, 90 per cent of our heating requirements and an air-conditioning-cooling unit which could also furnish the remaining needed 10 per cent of heat.

Q How long do you think it will be before it will cost no more to put in this type of thing than it now does the conventional heating system?

A Down in the Southwestern part of the United States, I would expect to see a lot of this sort of thing done in the next 5 to 10 years.



—Black Star

DR. GEORGE R. HARRISON

Q What is the expectation for, say, the Northeast?

A Oh, I think there may be some solar-heated homes up here in 5 or 10 years, although not so many as in the South and Southwest. Air-conditioning isn't such a factor here as it is down there, and it is this need for extensive air-conditioning that can justify the additional expense of supplementing the solar heater.

Q In these houses in the Northeast that are experimentally using solar heat, how much of the time do they have to use auxiliary heat?

A The Telkes house went through one winter using only 10 per cent auxiliary heat, I believe, and I think our solar house requires somewhere between 10 and 20 per cent.

Q It does cut your fuel bills substantially—

A That's right.

Q But not enough to make it worth while installing one up here now?

A The capital investment in a cold climate is too great at present, since so big a solar unit is needed.

Q Is there any hope that within a few years the capital investment needed will come down?

A That's what our engineers are trying to do. It needs to come down about 50 per cent.

Q How else do we use the sun's energy?

A Well, everything we eat, of course, involves energy that has come from the sun fairly recently, and farmers are in the business of storing solar energy in complex molecules of food so that we can use it.

(Continued on next page)

. . . "Sun's energy same as the hydrogen bomb"

Practically all the energy that we utilize comes from the sun, or came from the sun originally. About three quarters of it has been stored up in oil or coal or gas deposits, and about one fourth comes currently: water power—which is stored through evaporation of water from the sea by solar energy—and agriculture and forestry. We use trees to store solar energy, burning the wood as fuel to get the energy out. There would be no life on this planet if it weren't for the utilization of solar energy.

WHERE ENERGY COMES FROM—

Q What does the sun's energy stem from?

A The sun is a hydrogen reactor, and a very nicely stabilized one at that. It has a thermostat, so that it's been giving out energy at about the same rate for the past 2 billion years at least. Fossil plants have been found that have leaves that look very much like the leaves of present-day plants, so the temperature of the atmosphere couldn't have been much different 2 billion years ago from what it is now. The sun gets its energy apparently from the combining of the nuclei of hydrogen atoms to form helium nuclei. This gives the energy of nuclear fusion—

Q The same as the hydrogen bomb?

A Yes, the same. People don't realize that the sun reacts much more violently than any hydrogen bomb that has been set off on earth. They talk about the smoke and vapor going up 30 miles into the atmosphere when a hydrogen bomb is exploded in the Pacific, but on the sun some of the vapor columns go up 100,000 miles. Fortunately, we receive only two billionths of the energy that the sun radiates.

Our earth is placed at just about the right distance to utilize this much energy effectively, and it will probably be kept warm for several billion years yet. The sun's thermostat is arranged so that if the solar core, which is heated to 25 million degrees or so, gets too hot, expansion separates the hydrogen nuclei more and not so many of them combine to give helium, so that the reactor begins to cool off a little.

When this happens the sun collapses a bit, there is an increased rate of combination, and it heats up again. The resulting temperature regulation is very close, and the solar radiation varies only slightly with time, depending somewhat upon the number of sun spots.

Q How much energy hits the earth in a given time?

A At the top of the atmosphere, 7,400 horsepower per acre. But, by the time you take into account the latitude effect, the absorption of radiation by the atmosphere and by clouds, the fact that the sunlight in the early morning and late afternoon strikes at a slant, and that any given point on the earth is in darkness half the time, you find the 7,400 hp. reduced to about 1,000 hp. per acre. This is still a lot of energy. It's so much that, if we could capture it effectively, we could run with it all the industries of the United States merely by using the energy that falls on a desert square less than 100 miles on a side. Collectors out on the desert would run all of our industries.

However, in assessing the economics of this, you would have to put in the tremendous first cost of such collectors and their upkeep, and then you would have to allow for the low efficiency of our present collection methods. So, the 1 hp. per square yard which strikes the ground is very much less than that by the time it is caught and stored. The Bell Telephone people, when they first announced their new development, were very happy then to be able to talk about 50 watts per square yard.

Q Could you collect the sun's heat in a desert country and pipe it to others?

A Yes, but you'd lose a great deal of the energy in the piping, because you must either store it somewhere or transform it and pipe it immediately. Now, if you use the Bell Telephone photoelectric device, you would get somewhere around a sixteenth of your input solar energy out in electrical form. But electric power is worth only a few tenths of a cent per kilowatt-hour where it is produced. It costs more to distribute it, often, than to produce it from coal.

The same thing is going to be true of solar energy. It must be produced in large quantities on an industrial basis at a cost of less than a cent per kilowatt-hour, and must not disappear when the sun sets, which is when people want it most.

A calculation has been made which indicates that the amount of solar energy falling on one square mile in a day, at present power rates, is worth about $200,000. At 6 per cent efficiency of conversion, this would give a daily income of $12,000 per acre, which sounds good. But any apparatus yet suggested to capture and convert this much solar energy would cost at least 100 million dollars an acre, and interest on this would be $10,000 a day. Then, in addition, there is the upkeep cost, and by the time you have paid this the $12,000 is gone and the plant is in the red. That's why it doesn't pay now to produce solar energy industrially.

WAYS OF HARNESSING SUN—

Q What are the other ways of harnessing solar energy?

A Well, we've mentioned the photoelectric method. Then there's the thermoelectric--when you heat one junction of a pair of metals and let the other remain cold, you get an electric current through an external circuit; the heat needed can come from the sun.

Concentration with mirrors on a steam boiler is a third. Dr. Charles Abbot, of the Smithsonian Institution, worked on that for many years. The only trouble with this is that first cost and upkeep are both expensive, so that you are likely to have to pay a couple of thousand dollars for one horsepower.

A fourth method is the nonconcentrating form, which Dr. Hottel and our people have been working on, in which the sunlight falls on a blackened surface covered by two or three panes of glass.

Finally, there is photosynthesis, of which many forms are possible. One form is used by nature with chlorophyll, the overall efficiency of which is usually around a tenth of 1 per cent.

There are several other processes that have been dug up by photochemists which could be used effectively to store energy. One uses cerium atoms, so that solar energy can break up water into hydrogen and oxygen. That gives storage of energy, for you can burn the hydrogen later. But the efficiency of this process is extremely low as yet.

Q Roughly, then, you have one method that utilizes the heat from the sun, another that utilizes the light from the sun, and—

A You can't really divide them that way. The photoelectric method uses principally the light from the sun. The thermoelectric method uses both the light and the heat. The photosynthetic method uses only certain colors of the light. The

mirror and plate collectors use all of the heat and light indiscriminately.

Q Is the mirror method a good way of using the sun's heat?

A That has many drawbacks. In the first place, you have to keep turning the mirrors to follow the sun. That's expensive, complicated and requires a lot of upkeep. Also, you have to keep the mirrors clean. A little skin of dust on them cuts their efficiency way down. They suffer from high first cost, upkeep and complexity.

Q Mirrors, then, will probably never be used as a source of power, even though there are places now where they are being tried—

A That pays only when very high temperatures are wanted.

Q In the long run, which method is most likely to be used—the photo cell, which has a good efficiency, or the collector-plate type?

A I think that the collector-plate type is likely to be used sooner for house and water heating. The photo cell is designed to give electric power, which is only one special form of energy. This could be very useful because it could be used directly for air-conditioning. But the collector plate can have a fair efficiency and one doesn't have to convert the energy afterwards. In heating a house, all one wants is temperatures below that of boiling water, and the collector plate is a very direct and efficient way of doing it.

HOW TO STORE HEAT—

Q How does the collector plate transfer the heat to the room?

A Well, one takes a liquid, like water—if there is need to worry about freezing, an antifreeze is put in it—and heats this fluid by running it behind and in contact with the blackened collector plate. It gets hot and is pumped into an insulated tank, where it can be stored without losing much heat for a number of hours. When you want your living room warmed, you push a button which turns on a pump that circulates the hot water out through conventional radiators.

Q It would be like conventional hot-water heating?

A Yes, and that's a very efficient system. It isn't the lack of efficiency here that we worry about—it's the cost of installation of two heating systems.

So, there are really two main problems in solar-energy engineering—storing energy for house or water heating, and capturing energy for effective use in industry, in which case it is best to have it in the electrical form for easy transport and control.

Q Well, take this solar battery—or the electrical form—could you use the electrical power there to, say, run an electric heater in your house?

A Yes, you could, but you have gone to a lot of trouble to get electrical power. Why not use the heat directly in your house, which you can do with the other system? Why bother to convert energy into electricity and then back into heat again?

Q Is getting energy from the sun an important problem? Are supplies of coal, oil and other fuels being depleted?

A Yes, they're certainly being depleted, and eventually it's going to be a very serious problem. Scientists have begun thinking very hard about it. For the past 40 years, one has heard estimates of about 25 years' worth of petroleum reserves in sight. This is because when the petroleum companies have about 25 years' supply ahead, they don't look so hard for more oil.

I think, though, that most people who know about such things believe that it's very unlikely that the world's petroleum will last much more than 100 years. Then we could go on using oil shales, of which there are vast quantities that could be processed, and would give enough petroleum to last perhaps 200 years more.

Coal supplies probably won't last more than 1,000 years, although some people estimate 5,000 years. But, with the increased utilization we see ahead, I would say that 1,000 years is not unduly pessimistic.

Then, of course, we have recently added certain atoms to our fuels—first, uranium 235, of which visible supplies are only about enough to add one sixth to the earth's fuel stores.

Q Roughly, then, you'd have an additional 200 years from uranium—

A Yes, from uranium 235. But now we have the breeder pile. You can use uranium 235 to convert uranium 238 to plutonium, and that gives the theoretical possibility of up to 140 times as much uranium available for power purposes. The total figure, then, could increase our energy stores 25 times. and if we had 1,000 years ahead of us before, we have 25,000 years of energy now—and that's without increasing the availability of solar energy at all. However, there are some if's here as to what may turn out to be economical.

Q Does that mean that solar energy is a need only 25,000 years from now?

A No, I wouldn't say that, because although we can see that energy is stored in uranium and thorium, there's always the question of how much you have to pay to get it out. It may be very expensive to concentrate the uranium—expensive in terms of energy utilized—so that I would say that we definitely should plan on having to use solar energy as well as nuclear energy.

Solar energy is low-pressure energy, so to speak. There are vast quantities of it available, but it comes at a very low potential and is soft and diffuse, just about right to make electrons jump around in atoms so as to form molecules of food and of living cells. Nuclear energy is a high-pressure energy that corresponds to temperatures of millions of degrees, which means that in order to utilize it for most purposes we have to degrade it. We have to bring it downhill thermodynamically, and this is usually a very wasteful process.

POWER SOURCES OF FUTURE—

Q In the short-range future, 10, 15, 20 years, is power from the atom going to be more important than power from the sun?

A I think that, in the very immediate future, power from the atom will probably be more important, but I think that power from the sun will become increasingly important. One fundamental thing you can put right down at the beginning is that mankind generally uses all the energy sources that are available.

I have heard that more wood is cut for fuel now than ever before in human history. In spite of the fact that most countries that have passed through the industrial revolution use petroleum, coal and gas, still there's a lot of wood cut. In India, for example, they would like to have much more wood. They use cow dung for fuel. Every source of energy we can find is used, if it is economical to do so under the circumstances.

A MILLION MORE JOBS THIS YEAR

Steel, Autos, Other Durables Step Up Hiring

	1954 average	1955 average (est.)	Gain or loss
FARMING JOBS	6,469,000	6,400,000	– 69,000
JOBS OFF THE FARM	54,809,000	55,950,000	+ 1,141,000
TOTAL	61,278,000	62,350,000	NET GAIN 1,072,000
MAIN TYPES OF OFF-THE-FARM JOBS—			
Manufacturing	16,039,000	16,695,000	+ 656,000
Mining	745,000	700,000	– 45,000
Construction	2,624,000	2,675,000	+ 51,000
Transportation, Public Utilities	4,022,000	4,120,000	+ 98,000
Trade	10,510,000	10,560,000	+ 50,000
Finance	2,091,000	2,166,000	+ 75,000
Service	5,522,000	5,581,000	+ 59,000
Government (Federal, State, Local)	6,714,000	6,913,000	+ 199,000
Unemployment	3,233,000	2,967,000	– 266,000

Source: Estimates [illegible] U.S.N.&W.R.

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A worker without a job stands a better chance of getting one in the year ahead than he did last year. Hiring prospects are good.

Things look better, too, for the worker with a job. He has less chance of being laid off.

Factories will be looking for more help. Job outlook, generally, is good. But there still will be weak spots.

Finding a job will be easier in 1955 than it was in 1954. Most industries are going to be hiring more workers. Only a few industries are expected to show a drop in employment.

These are the conclusions of the Economic Unit of *U. S. News & World Report*, based on estimates of business activity for the next 12 months.

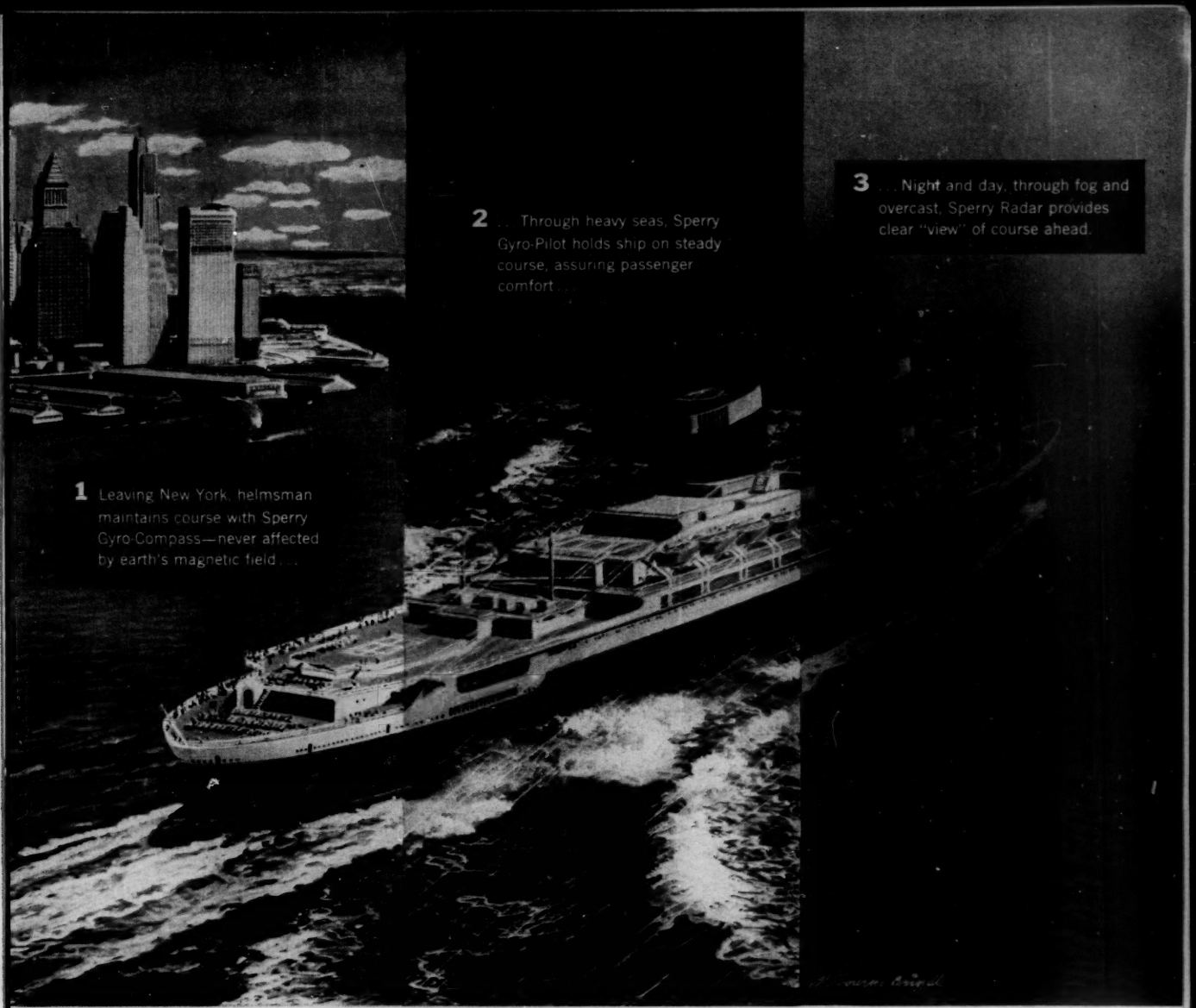
The prospect is this:

- A million more workers will have jobs this year than in 1954. This will push civilian employment to 62,350,000, a record high average for any single year.
- Most of the new jobs will be in manufacturing industries, but other fields also will be hiring more workers.
- In a few lines of work—notably farming and mining—employment will show a drop. Total in military service will be down, too.
- There will be less unemployment, but the figure will be only slightly below 1954. Unemployment is expected to average 2,967,000 for the year, 266,000 below the 1954 average. The unemployment figure will be influenced by new workers entering the labor force.

More factory jobs. Most new hiring is expected to come in the manufacturing field. Factory employment dropped 1.2 million between 1953 and 1954, but is due to rise by 656,000 this year. Nearly 17 million workers will have factory jobs in 1955.

Most of this increase is likely to occur in the first half of the year. Sharp boosts in output are expected for steel, auto and other durable-goods industries. Durable-goods fields show promise of providing 70 per cent of the 1955 increase in employment.

(Continued on page 88)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2 . . . Through heavy seas, Sperry Gyro-Pilot holds ship on steady course, assuring passenger comfort . . .
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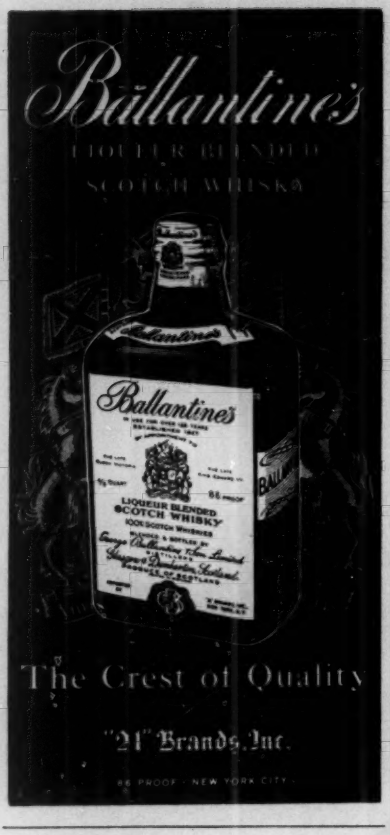

. . . Jobs in service industries on rise since 1939

These hard-goods industries accounted for nearly 80 per cent of the 1954 decline in jobs. A reversal of the trend now is seen. Most of the industries that laid off workers last year will be rehiring this year.

A rise in employment started in the final quarter of 1954, and is expected to continue in 1955. However, the rate of increase is due to slow up after the first quarter. Gains in steel and autos will be large at the start of the year but will taper off after a few months, it now appears.

Fewer mine jobs. For mining industries, the outlook is not so bright. About 45,000 fewer miners will have jobs in 1955. This will not equal the drop that took place between 1953 and 1954, when 100,000 lost their jobs. An increased demand for coal is expected in 1955, but this will be offset to some extent by new machinery in the mines that will dig more coal with fewer miners.

All types of mining will employ an estimated total of 700,000 workers this year. Included are copper, zinc, iron ore and others, in addition to coal.

Construction. Workers in this industry can look forward to a more plentiful supply of jobs this year. About 51,000 more workers will be employed in this field, on the basis of official estimates of a rise of 7 per cent in construction activity.

For four years in a row, construction has been providing more than 2.6 million jobs a year. Construction expenditures are due to rise by 2.5 billion dollars during this year, according to official estimates—the largest dollar increase since 1951. When new workers are hired for these projects, total employment in this field will go to a record high of 2,675,000 for the year, it is estimated.

Railroad prospects. As things look now, more jobs will be available in the railroad industry during 1955. Carloadings in December caught up with the level of a year ago, and improvements are in sight.

General business improvement also is expected to add jobs in the field of gas and electric utilities. Transportation and utilities together are counted on to supply an extra 98,000 jobs above the 1954 average. This would mean that 4,120,000 people would have jobs in these fields.

This total will be slightly below the record high of 4.2 million workers in these industries in 1953. Employment here dropped about 200,000 from 1953 to 1954, with railroads accounting for 70 per cent of the decline.

New high in trade. Retail-store sales, expected to climb again in 1955, are likely to carry employment in trade—wholesale and retail—to a record high. An additional 50,000 jobs are due to open up, bringing the annual average to 10,560,000.

Jobs in the trade field declined 23,000 from 1953 to 1954, but the drop was the first in five years. During 1954, however, sales in retail stores were off only slightly. Sales had gone up substantially in each of the preceding four years, and are expected to resume this climb during 1955.

More employment also is seen in the financial field. About 75,000 additional jobs are expected in banks, insurance companies and other financial institutions. This will bring the total to 2,166,000 jobs.

The gain in financial jobs will continue an unbroken rise that has been under way for 10 years. During 1954, finance added 66,000 more jobs. But, with the stock market active, and with banking and insurance firms expanding, further gains in employment are due.

More things to repair. Increased use of autos, TV's and household appliances is bringing more demand for skilled workers to repair them. In every year since 1939, the service industries have expanded their employment. Another increase is expected this year. No end of the rise is in sight.

This expansion will add 59,000 jobs in the service industries this year, it is estimated, to bring the total to 5,581,000.

A big increase in jobs is seen for the governmental field, mostly in State and local agencies. Government employment, excluding military, is due to jump by 199,000 this year, making the total 6,913,000.

Employment in government rose 69,000 in 1954. That was the seventh straight year to show an expansion in these jobs.

Drop in farm jobs. With new opportunities opening up in most industries, workers will find fewer jobs available on the farms. It now appears that there will be 69,000 fewer persons working on farms this year. Employment in agriculture is expected to remain close to the low level reached late in 1954, but the average for 1955 will be lower than that of 1954. The year's average for 1955 is estimated at 6.4 million persons employed on farms.

Labor force growing. Despite the loss of farm jobs, the outlook for 1955 is for an increase in total employment for the country. This increase of 1,072,000 in employment, however, will not be translated into a decline of that size

(Continued on page 90)

MY STAGE? The new Clary 10-Key Adding Machine...

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Rockwell Report

by **W. F. ROCKWELL, JR.**
President
Rockwell Manufacturing Company

THE GENERAL MANAGERS who run our plants are "on their own" to a greater degree, perhaps, than in many companies. This is due partly to distance; many of our plants are far from the headquarters office. But it's due mostly to our belief that no force is more productive than individual initiative stimulated by responsibility and opportunity for reward.

Each Rockwell General Manager is directly responsible for the overall success of the plant he operates. This includes, naturally, all of the obvious things such as production rates, cost per unit, product quality and performance, plant maintenance, safety, and labor relations.

But his responsibilities go beyond those tangibles to the many intangibles that constitute his, and Rockwell's, relations with the community. Wherever we operate we make every effort not merely to be tolerated by the community, but to become a worthwhile part of it. In addition to being good production men and good executives, our General Managers must also be good citizens in the finest sense of the word.

Ground rules of company policy are, of course, laid down by headquarters staff. We have prepared a check list of 81 factors a General Manager should keep in mind almost constantly. But this is a reminder only; he has the opportunity to use his own initiative and judgment to almost the same degree as if he owned the plant.

Obviously a great deal of care is used in selecting men in whom we can place that degree of confidence. Usually we discover them within our own organization. We've found that if you give the right man enough rope, he won't hang himself with it—he'll use it to pull himself to the top.

* * *

Recently we received news which serves to document the statement above regarding the constructive interest of our General Managers in the affairs of the communities where they work and live: two have been elected presidents of their respective Chambers of Commerce. Further statistics: for some time, two other Rockwell General Managers have been serving as directors of their Chambers . . . another is on the board of his state's Manufacturers Association . . . two home office executives are directors of the Chamber of Commerce in our headquarters city.

* * *

At quite a number of plant and office Christmas parties last month, our people instituted a heartwarming switch on the common practice of each person bringing a "gag" gift to be distributed for laughs. Instead, they spent the same amount of money for a child's toy. These toys were then collected and given to children in local orphanages in time to make Christmas a little happier than it would have been otherwise.

* * *

Through its Educational Service Bureau, the American Gas Association has developed an interesting program of school teaching aids called "Science in Action in the Gas Industry." As a part of this program we have produced special "classroom" models of the Rockwell "150" aluminum gas meter. Compact, light-weight, it has a special snap-fit housing so that it may be quickly dismantled for demonstration of "what goes on inside." These are used in conjunction with a teacher's text, wall chart and fact folders for students to simplify understanding of the enormous contributions of the gas industry to our civilization.

One of a series of informal reports on the operations and growth of the
ROCKWELL MANUFACTURING COMPANY
PITTSBURGH 8, PA.
for its customers, suppliers, employees, stockholders, and other friends

. . . Drop in military forces shifts workers to labor market

in unemployment because of the expanding labor force.

The labor force is composed of workers who are at work plus those who are available for work. Since younger workers are always joining the labor market, and older persons are leaving it, the labor-force total constantly changes.

For 1955, the labor force is expected to average 68.3 million persons. This will be an increase of 458,000 over the 1954 average.

A decline in military forces, however, will shift many workers into the civilian labor market, on top of those joining the labor force for the first time. The military services are expected to average 2,997,000 persons for the year, a drop of 348,000 from 1954's average.

AFL, CIO Talk About "Merger"

If no hitch develops, the AFL and the CIO will work out terms of a "merger" in the months immediately ahead. Talks on the subject now are being resumed. Questions, as a result, are being raised as to who gets what when the two labor organizations finally join forces.

"Merger," in this case, is expected to result in loss of identity for the CIO. As the younger and smaller partner in this alliance, the CIO will tend to be swallowed up by the older and larger AFL. Just how much, it is being asked, will the CIO contribute toward making one organization more powerful than the two existing organizations?

In assets, CIO reports net worth of $2,228,495. This figure includes a building in Washington that houses CIO headquarters. This building was bought a few years ago for about half a million dollars. CIO's net worth is shown to be $200,722 less than it was a year ago.

In membership, the CIO reports it can contribute 4.4 million people to the new organization. This represents a growth of 37,500 in a year.

The AFL's contribution in resources and money will be considerably larger. Net-worth figures comparable to those of the CIO are not announced, but the last AFL financial statement showed a balance on hand of $1,615,547, up $94,689 from the year before. The AFL, also with headquarters in Washington, is constructing a new building at a cost of 4 million dollars.

As for members, AFL reports a paid-up total of 9.6 million.

LIFE AROUND THE WORLD®

memo

FROM ITALY

REDS' SINS CATCH UP

ROME—It isn't nearly as difficult to talk against the Communists here as it was even a few months ago.

Communists, for the first time since World War II, are definitely on the defensive. They are being hurt by revelations of scandals—personal and political—among top Reds. People hitherto afraid of Italy's biggest and richest party are demanding a crackdown on Communist subversion, and applauding Government steps in that direction.

Crimes of Communists. It all started when a private propaganda organization began putting up posters throughout the country, charging several Communist members of Parliament with having committed crimes, in the past, ranging from murder to collaboration with Mussolini's secret police.

For example, one poster revealed that a Communist member of the Chamber of Deputies—Italy's lower house—had been convicted of murdering a man in 1926. Absent from his own trial, he was sentenced to 30 years at hard labor. That sentence was quashed after World War II while Italy's Communist boss, Palmiro Togliatti, was Minister of Justice.

Another Deputy, accused of murdering seven anti-Fascist guerrillas during World War II, was placed on trial but fled behind the Iron Curtain and began making anti-Italian broadcasts from Prague. When his Red constituents re-elected him to Parliament last June, he returned to Italy and now sits in the lower house again—with full parliamentary immunity.

Aid to Fascists. The charge that hits the Communists hardest, however, was that of aiding the Fascist Government before World War II—a crime that they like to pin on all anti-Communists. Palmiro Togliatti himself was accused of having caused a former comrade to be arrested and condemned by a Fascist court in the 1930s. Other Communists were accused of having acted as paid informers for Mussolini's secret police.

Italy's Communist bigwigs, at first, tried to ignore these charges. But when accusations of Red collaboration with the Fascists were made on the floor of Parliament, Communist Deputies leaped into action. Their swinging fists set off a free-for-all in which more than half a dozen persons were injured.

New scandals. Anti-Communist propaganda keeps snowballing. One newspaper learned that state prosecutors have filed 67 different requests with

(Continued on page 92)

—Wide World

PALMIRO TOGLIATTI TALKS TO REPORTERS
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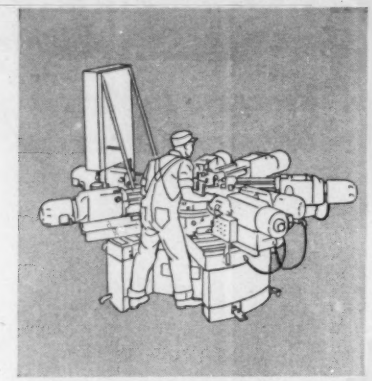

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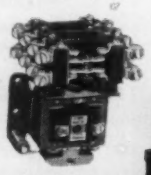
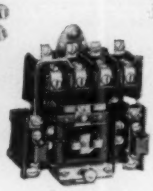
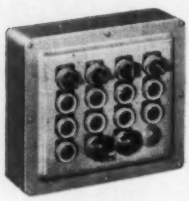
ALLEN-BRADLEY
MOTOR CONTROLS



Bulletin 700
4-Pole Universal
Type Relay



Bulletin 709,
Size 1, Solenoid
Starter



Bulletin 800T
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A-B Quality

The Sign of quality motor controls

When you invest in "high-cost" precision machines for "low-cost" production, insist on dependable Allen-Bradley controls.

Simplicity of design . . . that is the secret of the trouble free operation of all Allen-Bradley controls. When you eliminate pins, pivots, linkages, and bearings, you eliminate trouble. Since Allen-Bradley starters have only ONE moving part, that is your assurance of trouble free operation. Double break, silver alloy contacts require no maintenance. And—the overload relays are reliable! You cannot go wrong when you specify "Allen-Bradley"—it's QUALITY control!

Allen-Bradley Co., 1348 S. Second St., Milwaukee 4, Wis.
In Canada—Allen-Bradley Canada Limited, Galt, Ont.

ALLEN-BRADLEY
Quality Motor Controls
are a sales asset to any motorized machine

memo

. . . *Italy's politicians find anti-Communism desirable*

Parliament that immunity be lifted from Communist or pro-Communist Deputies so they can face trial on charges ranging from libel to murder.

A fresh Communist scandal came to light when a top Roman Communist and his wife were haled into court on charges of staging sex orgies at brothels for teen-age boys and girls. Their arrest took much of the edge from Red attempts to link high Government officials with other sex scandals that have occurred here recently.

Anti-Communist newspapers, in addition to digging up scandals, are arguing that something has to be done to prevent the Reds from making a "mockery" of democratic institutions such as Parliament. Politicians who once thought "anti-Communism" too controversial a policy are following the same line.

Action against Reds. As that demand grows, the Government of Premier Mario Scelba is taking some long-delayed steps against the party.

Communist organizations are being evicted from the fine buildings they seized from the Fascist Government during the war.

The Government has also brought back to its offices a number of state workers who were drawing their state salaries while on detached duty with Communist unions. Government subsidies are being withheld from pro-Communist movie producers.

Anti-Communists are calling for an even tougher crackdown on the Reds. The party, they point out, still gets a cut in the profits of business firms that handle trade with countries behind the Iron Curtain. Tighter security laws against Communist subversion are being urged.

Communists, on their end of the propaganda battle, are charging that the anti-Communists are "clerical-fascists" who are financed by "American agents." The party hasn't yet refuted any of the detailed charges against its leaders—nor has it sued for libel. Its explanation is that the character of Red leaders is the party's business, and no one else's.

Top Communists such as Palmiro Togliatti, however, are plainly worried—to the point now of threatening "revenge" at a later date on the anti-Communist propagandists.

There is no real sign yet that the tide has definitely turned against Communism in Italy. But there is plenty of evidence that the Reds, for the first time since World War II, are hurt and on the defensive.

EASIER NOW TO BUY ON TIME

Nothing Down, 3 Years to Pay for Some Goods

Upturn in trade is being sparked by easier credit. You can buy almost anything you want these days with little or no cash. Most things can be had at a discount.

The shift to more liberal terms isn't country-wide yet, but it's spreading.

Some lenders are telling each other that this sort of thing has gone too far already. A survey of bankers shows the trend.

A new car, a television set, just about anything that people buy in stores now can be had on more liberal credit than at any time in recent years.

Businessmen, straining to unload inventories, have been trying to encourage people to do more buying on the cuff.

Trend to more generous credit for consumers is revealed by a telegraphic survey of bankers all over the country, made by *U. S. News & World Report*. It's a trend that already is quite general in Northeastern cities. It's spreading in the Midwest and is just beginning to reach out to the South and Far West.

Country-wide, bankers in three out of four cities surveyed report "noticeable" to "substantial" easing of credit terms.

Biggest, most widespread changes are in the time in which buyers are allowed to pay off the full purchase price. Lower down payments are less widespread. And credit standards—requirements of customer ability to pay off—are not being weakened much, bankers find.

Just how much the easier-credit trend contributed to the biggest Christmas buying spree on record is not known. But there's agreement that noticeably growing willingness of consumers to buy, combined with more tempting installment terms, could mean big things for trade and business.

Autos set the pace. You get this new trend in credit terms most clearly in auto sales.

In the Northeast, where "30 months to pay" has become standard on new cars, some dealers now are allowing 36 months. A third down still is the typical requirement, though some new cars are being sold with slightly smaller down payments.

In the Midwest, where 24 months to pay has become standard on new cars, bankers report that "there is a tendency on the part of some dealers to go to 30 months on new-automobile financing." And a lengthening of the "payout" period is reported from Chicago, Milwaukee, St. Louis, Kansas City, Wichita, Oklahoma City and elsewhere.

In Kansas City, advertisements appearing recently in newspapers offered four-year car loans to "qualified persons."

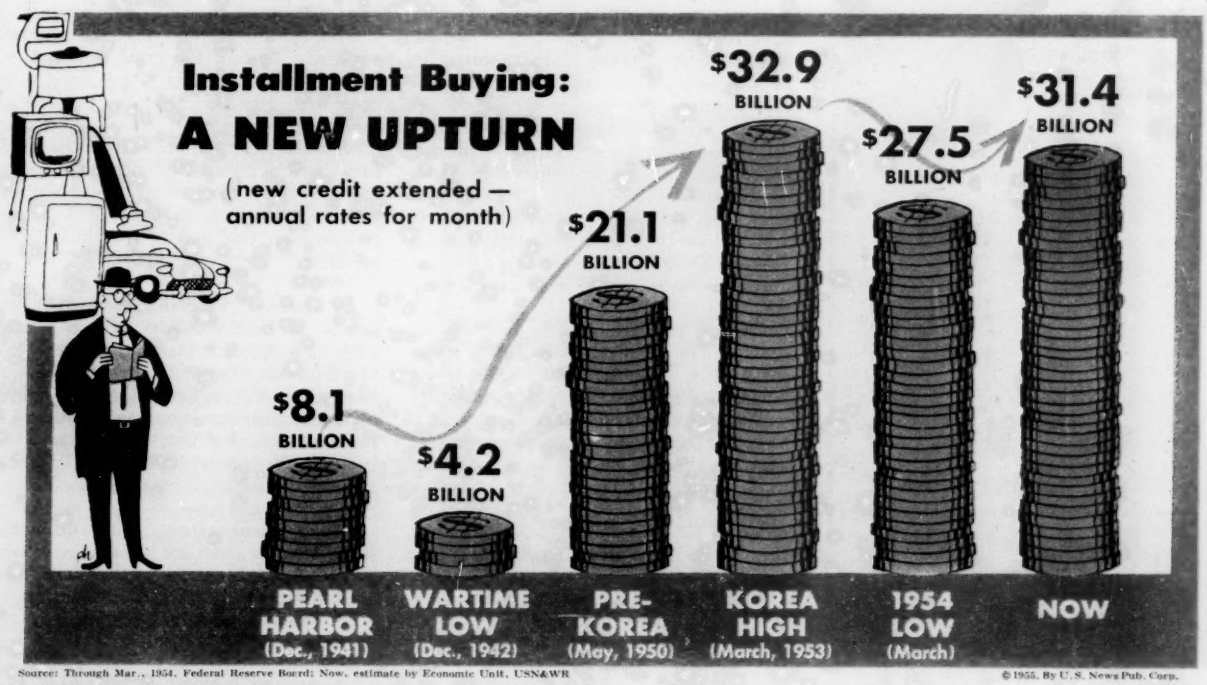
And in Dallas, one banker, expressing a dim view of the trend, notes that "intelligent lenders are insisting on sound terms and sufficient equities."

On used cars, meanwhile, the easier-credit trend centers not on time to pay but on down payments. While 24 months for paying remains pretty general, buyers are importuned with ads proclaiming "no down payment," "no cash required," or "easiest terms in town."

In Washington, D.C., for example, you can buy 1954 Fords, Plymouths and Chevrolets—all in "immaculate" condition—with "no money down." That, at least, is what the ads say.

Actually, terms don't always come up

(Continued on page 94)



Source: Through Mar., 1954, Federal Reserve Board; Now, estimate by Economic Unit, USN&WR

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☐ If possible, send the January 7, 1955, issue.

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. . . Federal officials unworried over trend in time sales

to billing. Customers lured in by no-cash offerings are likely to be told that their credit standing doesn't rate such terms, or that it's unwise to be paying insurance and interest charges for three years. "Maybe," it's suggested, "you'd rather pay something down, say 10 per cent, and finish up in 24 or 30 months."

In a few places, buyers need to make sure that dealers aren't recovering some of their big discounts by "loading" the financing charges.

Other goods follow. Appliances, too, are being sold on easier terms—as well as with really whopping discounts. Offerings for "nothing down," of course, have been widespread in the appliance field for some time. Along that line, dealers have gone about as far as they can go. Now, many are selling radios, television sets, furniture, refrigerators, other items with longer periods in which to pay off.

Home improvements, too, are becoming easier to finance in many cities, though this may be a more basic shift in lending policy. Bankers have been telling themselves for years that uninsured home-improvement loans running for five years ought to be regarded as "good business," provided the borrower is a "prime risk." Now, some bankers actually are making loans on that basis.

Is credit too easy? There's some tendency among bankers to wonder whether the trend hasn't gone far enough.

One Southern banker wires, "Some few lenders in this area have eased installment credit and are already feeling adverse effects."

In Chicago, bankers are reported to be concerned about the possibility that the Northeastern terms of 30 to 36 months on new cars might spread to their area. Even more, they're disturbed at the idea that growing pressure from competition might lead dealers and lenders to trim down payments. Bankers are well aware that buyers who have a substantial cash stake in their cars are not likely to surrender their cars if they can help it.

Federal officials, meanwhile, are expressing no concern over the credit trend. For one thing, it's their easy-money policy that has helped to ease installment terms. For another, officials feel that the country needs more, not less, installment buying as a prop for trade. Total installment debt outstanding, they are agreed, is not high in relation to people's ability to pay. Neither, they think, is too much new credit being extended now.

Facts behind official thinking are revealed in the chart on page 93.

Installment buying, measured by new credit extended to customers, is at a level nearly four times as high as in Pearl Harbor days. Yet it still appears lower than at the peak that preceded the 1953-54 business downturn.

In March, 1953, installment buying was going on at a rate of 32.9 billion dollars a year. A year later, it had dropped to 27.5 billion. By October this year, as people decided that maybe it was time to buy after all, the rate climbed back to 29.5 billion. It's estimated that the December total jumped to 31.4 billion, not far below the March, 1953, peak.

Officials, however, are keeping a closer eye on credit terms than on total credit extended or already outstanding. While incomes are high, and rising, officials are confident that people can pay off short-term debts of today's volume. Yet if terms are made too liberal, they reason that trouble could arise.

So far, the typical terms that prevail seem to fit official ideas of what the business situation demands.

Helping hand. Small businessmen who would like to obtain capital by the sale of securities, but who don't know how, are due for some help from Government. The Small Business Administration and the Securities and Exchange Commission are teaming up to show small firms how the job can be done. Rules and general information about the issues of small companies will be prepared by SEC and distributed by SBA field offices.

SBA Administrator Wendell B. Barnes explains: "One of the great problems of small firms in the field of financing is in obtaining risk or venture capital to modernize or expand their operations. This problem in part arises from the small firm's lack of familiarity with the requirements it must meet in issuing securities. I believe this undertaking will do much to overcome this part of the small firm's problem."

GI loans. Veterans have invested nearly 17 billion dollars in new homes with the help of loans guaranteed by Government, the Veterans' Administration says. VA expects that, including farm and business loans, an additional 3 million veterans of World War II and the post-Korean period will get GI loans before their eligibility expires.

More protection. Life insurance firms look to 1955 for another new record for sales. They report that, with new life insurance purchases amounting to 47.6 billion dollars, total life protection in force rose to 339 billion in 1954.

Tax Deadlines To Watch

JANUARY 17. ***Individuals*** pay final installment of estimated 1954 income tax. They may file final 1954 tax return and pay tax—instead of filing declaration or amended declaration and paying.

- ***Farmers*** file tax declaration for 1954 and pay estimated tax if a final return is to be filed by April 15.
- ***Executors*** pay final installment of 1953 estate income tax.

JANUARY 31. ***Farmers*** file final income tax return for 1954 and pay tax in full if a declaration was not filed by Jan. 17, 1955.

- ***Employers*** provide employes with the tax-return copy and employe's copy of form W-2 showing total wages paid and taxes withheld in 1954.
- ***Employers*** file District Director's copies of form W-2 with the fourth-quarter withholding tax return, form 941. A list of the amounts of income taxes withheld as shown on the forms W-2 also must be filed.
- ***Employers*** deposit income and Social Security taxes withheld in December if more than $100.
- ***Employers*** withholding less than $100 a month in fourth quarter, 1954, file quarterly return, form 941, and pay income and Social Security taxes withheld in fourth quarter.
- ***Housewives*** file Social Security tax return, form 942, covering wages paid employes during fourth quarter, 1954.
- ***Employers*** file unemployment-insurance tax return for calendar year 1954, form 940.
- ***Manufacturers, retailers,*** others deposit excise taxes for December, if more than $100.
- ***Manufacturers, retailers,*** others not making monthly deposits of excises file fourth-quarter, 1954, return, form 720, and pay taxes collected in the quarter.
- ***Gamblers, bookmakers*** pay tax on wagers accepted in December, file form 730.

(Note: For important details on January tax regulations see page 77.)

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PLUS & MINUS
Latest Indicators of Business Activity

The consumer will have a dominant influence on business activity this year. Rising income and large savings put him in a position to increase spending, and record Christmas buying suggests he is in the mood.

Christmas sales ran about 4 per cent above 1953 and exceeded the previous record of 1952, according to preliminary estimates.

Auto sales continue at a fast rate. December results appear to have come close to the 552,259 high for the month, reached in 1950.

Weekly earnings of the average factory worker were at a record $72.98 in November, up $2.06 from July. Most of this increase came from a lengthening of the work week to 40.1 hours in November, from 39.4 hours in July.

Further gains in weekly earnings are indicated this year, when labor contracts in steel, motor vehicles and other industries are negotiated. Recent settlements foreshadow advances of about 8 cents in hourly wage rates.

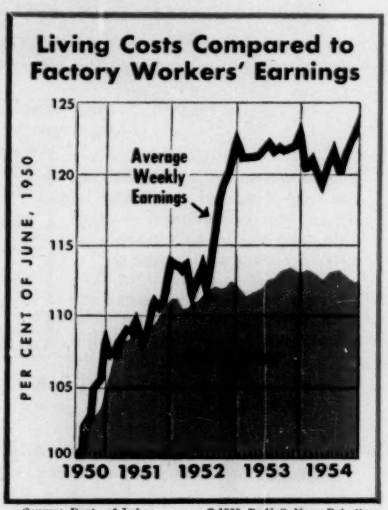
Rising employment at higher pay adds to total wage and salary receipts. Such receipts in the fourth quarter were at a rate of 194 billion dollars, highest in more than a year.

Wage earners have maintained the advantages of recent pay increases, as the top chart shows. From mid-1950 until mid-1952, living costs followed wages up.

Consumer prices have been stable since mid-1952, whereas wages jumped after settlement of the steel strike in that year and they have held the advantage since.

Wage gains this year also should add to buying power, because prices are not expected to change much. The Department of Agriculture foresees retail-food prices averaging close to last year. Mail-order catalogues now being distributed quote prices 3 or 4 per cent below a year ago. Later upward pressures on prices that may result from higher wages should be moderated by competition.

Real earnings, therefore, should advance from present levels. After taxes and adjustments for price changes, the average worker with two dependents enjoyed a record purchasing power of $59.07 out of his $72.98 gross weekly pay in November. This was almost 50 per cent more than in 1939, and it was 7 per cent above the mid-1952 level.



Wages and salaries represent a growing share of national income in recent years, the percentage rising from 64.3 in 1950 to 68.5 in 1953 and to more than 69 per cent last year.

U. S. workers fare better than foreign workers in this respect. Examples of the portion of national incomes accounted for by employe compensation are 64.5 per cent in Britain, 60.1 per cent in Switzerland, 58.5 per cent in France, 56.7 per cent in Belgium and 52.6 per cent in Holland.

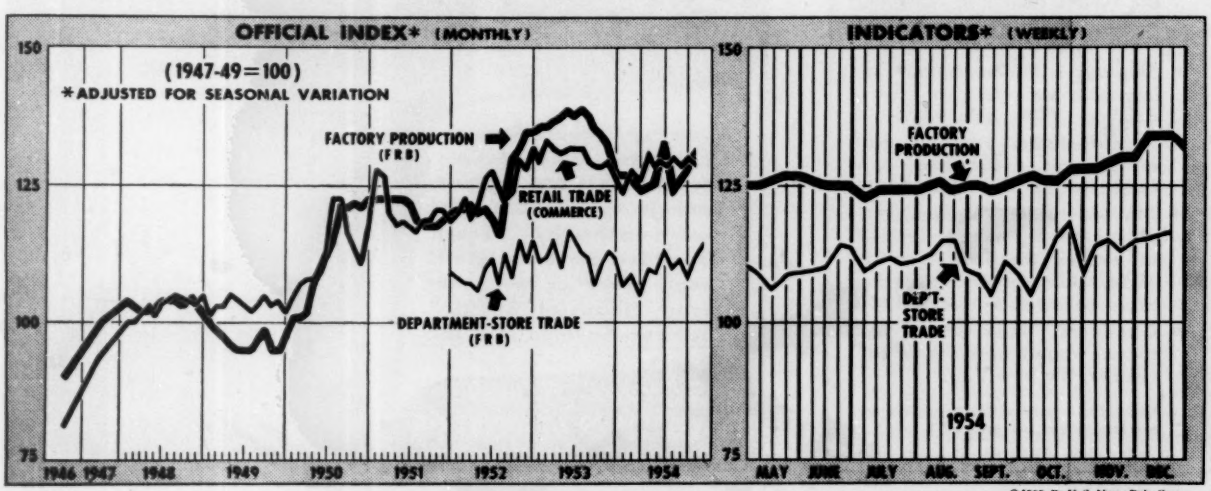
Willingness to spend is indicated not only by record holiday buying and the strong demand for autos, but by increased use of credit, expenditure of a larger share of income, and improved consumer confidence.

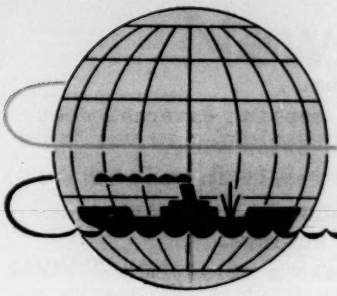
Installment credit extended in December appears to have been a record total for the month. But, despite the Christmas spurt, consumer debt is less than 2 per cent above a year ago and it is slightly smaller in relation to disposable income.

Spending took 92 per cent of disposable income in 1953, a postwar low. The share increased slightly to 92.2 per cent in 1954, but with the ratio in the second half up to 92.5 per cent.

Consumer survey just made by the Survey Research Center at the University of Michigan indicates most people feel prosperous and a larger number than in any previous survey considers this a good time to make purchases.

Consumers, therefore, can be a major factor in an upward trend this year, along with inventory building and construction, at a time when Government spending is stable and business investment is moderately downward.





Business Around the World

BONN • ZURICH • WASHINGTON • JOHANNESBURG • MEXICO CITY

›› German rearmament, still months off, already is a force to reckon with.

Business boom plus rearmament will crowd German heavy industries. That's the way more and more people, in and out of Germany, are figuring it.

Overbuying, steel hoarding, bulging order books, genuine shortages of labor and materials are showing up in Western Germany even now. German businessmen seem to want to get while the gettin's good.

Boom, really high-powered in Germany, is only a little less so in a number of other countries in Western Europe. Steel plants all over that area are operating close to capacity. Steel imports are rising fast. Mostly they come from the U.S. But now Russian steel, undercutting European prices, is going into Germany, the Netherlands, France, Italy, Austria, Switzerland.

Looks as if some of the new German weapons may be made from Russian steel!

›› Reports from those close to the German scene run like this:

Actual steel use in West Germany has not increased much in recent months. But orders have been piling up. As steel has been delivered, in many instances it has been stockpiled against future rearmament orders.

Delivery dates on German steel now run from six to nine months ahead.

Prices are moving up. Export restrictions may have to be slapped on.

Machinery and machine-tool makers also have well-stuffed order books. This again shows concern over what may happen after rearmament starts. Machinery imports may well have to be stepped up.

Skilled-labor shortage in West Germany makes more machinery an important consideration. Labor shortage will get worse as 500,000 men go under arms. Italian workers may be brought in to fill labor ranks.

Building industry, operating at full stretch, will be affected as German military forces are mobilized. Barracks and other installations, as well as new plant capacity, will have to be built. Already, bricklayers and other skilled construction workers are hard to recruit. Scarce, too, are many types of building supplies, including timber.

›› German rearmament is to crowd already-overcrowded sections of German heavy industry. But there are other angles to it.

German export competition may lessen, as more goods are needed at home. The British, for example, are looking forward to the time when the Germans must support a defense establishment. Germans have had an advantage in exporting.

German imports may increase. German purchasing power will be rising. And the demand for more consumer goods and raw materials will inevitably build up. Actually, it might be necessary to put a lid on consumer imports. Even now, the

(over)

Germans are importing almost as much as they are exporting.

A rearming Germany may find the financial burden of meeting external debt and reparations payments onerous. This, at least, is the Swiss view.

Need for capital for plant expansion is expected to result in more-active security flotations in Germany (as growing savings are tapped). Borrowing abroad will be avoided in order to save foreign-exchange outlays.

German rearmament, of and by itself, doesn't seem like a very big operation in an economic sense. Yet it's likely to have quite an effect on the German economy and on neighbors and allies.

>> Foreigners are pleased with the high priority President Eisenhower is to give his liberalized foreign-trade program in the new Congress (see page 69).

Foreign-trade program last year didn't even reach Congress till rather late in the session. In the rush to do other things, it received little attention.

This year it goes up to Capitol Hill in a special presidential message on January 10. It will have a lot more White House steam behind it this time.

Feeling abroad is that the Democratic control of Congress gives the more-liberal trade program a better chance of passage.

Feeling in U.S. is that it would be unwise to count chickens before they are hatched. Powerful industry and labor groups oppose lower tariffs. Trade-agreement negotiations with Japan will stir up plenty of opposition. Members of Congress, Democratic or Republican, can't be deaf to important voting groups.

Tax relief for corporate income from investment abroad is to meet opposition. However, further simplification of customs rules is expected. A progessive lowering of tariffs? Right now that looks doubtful.

>> Manufacturers' clamoring for protection from foreign imports is heard not only in the U.S. It's heard in Canada, Australia and South Africa, for example.

Take South Africa. Import controls have been pretty stringent for the past several years. South African manufacturing has burgeoned. Now import curbs are being loosened and are scheduled to be dropped entirely in 12 months.

So manufacturers are making noises. Manufacturers' costs are high. They find it hard to compete against imports. Commercial and mining interests, on the other hand, are for fewer import hurdles.

Rising gold and uranium production is to provide more and more dollars. Yield for 1955 will top half a billion dollars. Under these conditions, it will be hard for the new Government to reverse the easier import policy.

South Africa since 1949 has guaranteed to supply annually gold worth 240 million dollars to the sterling areas's gold and dollar pool in London. But, starting in 1955, South Africa can sell all its gold where it likes. The subtle restraint applied by London against using too many dollars out of the common pool is now missing. South Africa looks like a promising market.

>> Mexico is trying to recapture some of its own home market.....

Mexican manufacturers are out to bring Mexican border areas back into the home market. Baja California, Sonora, parts of Chihuahua and Tamaulipas have depended more on U.S. suppliers than on Mexican industries, often located in the center of the country. Mexicans in these border areas spend an estimated 90 million dollars a year on purchases of foreign goods. That 90 million is more than twice the size of the current deficit in Mexico's balance of payments.

News-Lines

What you as a businessman ☑ CAN and ☒ CANNOT do as a result of federal court and administrative decisions:

☑ **SAVINGS BONDS.** You can now buy series E and H Government savings bonds for a personal-trust estate. These securities are made available to such trusts by the Treasury, which previously limited sale of E and H bonds to individuals.

* * *

☑ **TAX ADMINISTRATION.** You can wait till January 31 to respond to a questionnaire on operations of the Internal Revenue Service if you received one from the Joint Committee on Internal Revenue Taxation. The deadline for answering is extended for the 10,000 lawyers, accountants and others having frequent business with IRS who received the questionnaires.

* * *

☑ **SURPLUS PROPERTY.** You can get a Defense Department pamphlet entitled "How to Buy Surplus Property" from the Government Printing Office, Washington 25, D.C., for 15 cents. The booklet deals mainly with surplus property of industrial and commercial types.

* * *

☑ **SURPLUS REAL ESTATE.** You can soon obtain regulations explaining the selection and use of private appraisers, auctioneers and real estate brokers in a program to dispose of the Government's surplus real property. The new regulations are being prepared by the General Services Administration.

* * *

☑ **LIVESTOCK.** You can now plan to import livestock and livestock products from Mexico. This is made possible by the Secretary of Agriculture in declaring Mexico to be free of foot-and-mouth disease, which has caused the discontinuance of such imports during most of the time since 1947.

* * *

☑ **COMMODITY LOANS.** You can find out from offices of the Agriculture Department about the final dates for repayment of Commodity Credit Corporation loans on 1954-crop grains and related commodities stored in commercial warehouses. The dates range from January 31 to May 31.

* * *

☑ **OIL AND GAS.** You can obtain from offices of the Interior Department's Bureau of Land Management copies of the new forms to be used in applying for oil and gas leases on public lands.

* * *

☒ **INCOME TAX.** You cannot treat as a capital gain your profit from the sale of real estate used in your trade or business where the property is held for less than six months. The Internal Revenue Service says that such realty is not a capital asset and that the gain from its sale must be treated as ordinary income.

* * *

☒ **TAFT-HARTLEY LAW.** You cannot safely tell your employes that you will shut down your plant if a union comes in. In finding that this statement interfered with the Taft-Hartley rights of the workers, the National Labor Relations Board also noted that the employer threatened to discharge some employes for their union activities.

* * *

☒ **"UNION SHOP" CONTRACT.** You cannot legally force an employe to pay a special union assessment by threatening discharge under a union-security contract. The Labor Board finds that both an employer and a union violated the Taft-Hartley law by such action, because, although the worker could legally be fired for failure to pay regular dues, he could not be discharged for refusal to pay a union assessment.

* * *

☒ **TARIFFS.** You cannot look for any early import restrictions on wood screws and screen-printed silk scarves. The President rejects recommendations of the Tariff Commission that duties be increased on imported silk scarves. The Commission was divided on a proposal that import quotas be placed on wood screws.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government Bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

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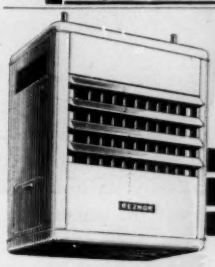

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POOR FRANCE!

BY DAVID LAWRENCE

THIS IS NOT THE TIME to upbraid France for her recent vacillation, but to give her the understanding sympathy she needs in a period of great stress.

For the France which fluctuates between dread of a resurgent Germany and fear of a ruthless Russia is not unconcerned about retaining the friendship of the United States. The liberation from Nazi oppression in 1944 by American troops has not been forgotten.

But France in ten years has not found it possible to recover her military strength. Nor has she been able to achieve that maturity of spirit which in a crisis gives a nation firmness of purpose and resoluteness of heart.

Emerging from four years of occupation under the stern heel of the Nazi armies, France has struggled to rebuild her government, only to experience 20 successive changes of Premier in a decade. She finds herself, on the one hand, with 100 Deputies in Parliament led by Communists who performed daring feats of sabotage in the underground against the Nazis. And she has hardly had time, on the other hand, to raise a generation of French statesmen capable of coping effectively with Communist propaganda or of moulding the kind of international policies which once made France a great power in world diplomacy.

France is more to be pitied than scorned.

We in America who have not witnessed the ravages of war at first hand, and who have not suffered the internal betrayals and the defeats such as left France helpless in 1940, cannot today perceive the plight of that country whose frustrated Parliament last week brought the free world to an abyss of deepest anxiety.

To an American accustomed to a two-party system, the jarring friction of 13 blocs sparring for power is something inexplicable. It is easy for some of us to complain that America has poured her billions of dollars into France only to find now that she is an unreliable or at least an uncertain ally. But this is an over-simplification.

For, while France is not starving, and indeed with our help has made substantial recovery in the last two years, she is still far from enjoying a balanced economy. Her electorate is still plagued by poverty and low wages. Domestic needs have been involuntarily neglected. The constant pressure from the Western alliance to develop France as a strong military force has coincided with the steady drain of casualties among trained officers in the long-drawn-out war in Indo-China.

France experienced a humiliating defeat in Southeast Asia. Now she is beset by the gnawing pains of internal dissension in her African possessions. Her empire is dissolving before her eyes, as her military requirements grow more and more expensive. Seldom in world history has a postwar nation been confronted with such a series of poignant weaknesses. Yet we in America expect France to overcome them all overnight.

We shall not stampede the French leaders into a wholehearted approval of something which they fear and distrust. A shift of 14 votes in the majority by which the Assembly on December 30 ratified the Western European agreements could alter the situation again. It is the continued existence of a public opinion that is uninformed, misled and confused which is responsible for the cleavage.

What is needed inside France is further elucidation of the essential reasons for the formation of the Western alliance itself. It is doubtful if the influence of certain powerful French newspapers—some of them directed by Communist propaganda—has been offset by editorials from other newspapers which, however sympathetic with the aims of the Western alliance, have failed to emphasize fundamental issues.

Certain facts have not been driven home in France. Thus, there is no basis for fearing a rearmed Germany as long as the United States and Britain stand ready to prevent any misuse of armament which could conceivably injure the French. Twice before America came across the seas to the rescue, but this time it actually maintains five divisions of troops on the Continent. This is the best assurance that could possibly be given that the alliance will not be permitted to become the tool of any European country.

The great military power of the U. S. Air Force and the U. S. Navy and the presence of the U. S. Army divisions on French soil, as well as the atomic superiority held by the United States, are in themselves safeguards against any hostility toward the French people by another misguided leadership in Germany.

It is incomprehensible why anybody who knows the facts of military power today should fear German rearmament. But the people of France do not know those facts. A campaign of education—long overdue—should be instituted so that the French people will come to feel that America and her allies will protect them.

We must not lose faith in France as she goes through the pains of re-birth. This is the time to stand fast at her side with an understanding friendship.

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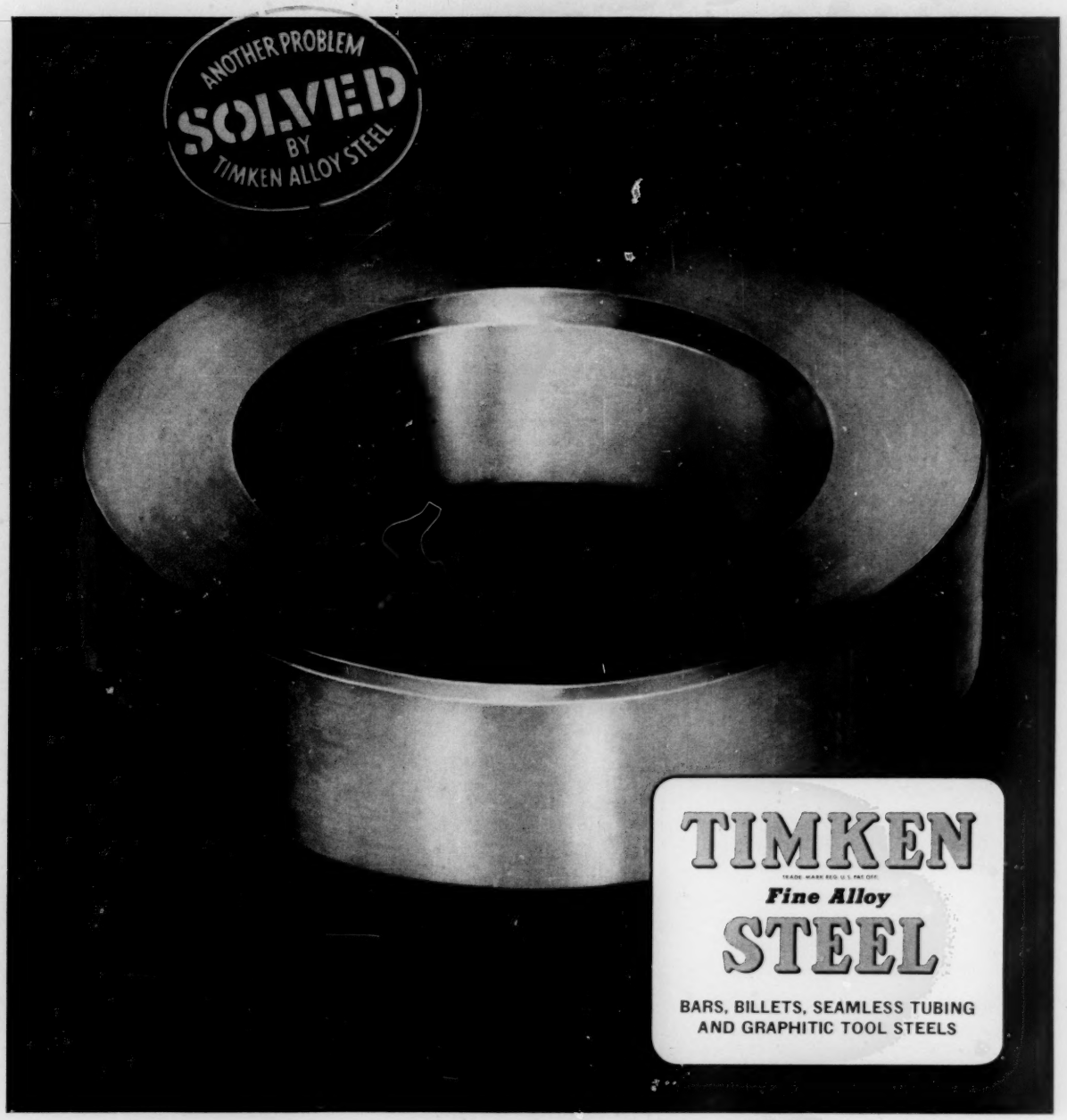

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